

# FOOD COOPERATIVES IN VICTORIA

by

The Victorian Food Cooperative Study Group

July 1984



Alison Bourn, Jane Stokes, Oenone Serle  
and

Pauline Cunningham, Elsje van Moorst, Steven Vaughan

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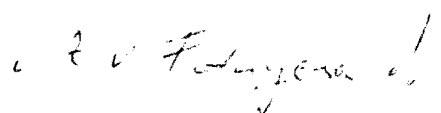
Minister,

I am pleased to present to you this report by the Victorian Food Co-operative Study Group, entitled 'Food Cooperatives in Victoria'.

The report was researched and written by Alison Bourn, Jane Stokes and Oenone Serle on behalf of the Ministry of Employment and Training (C.D.P.) and the Victorian Food Cooperative Support Group.

We believe that the report will contribute in a significant way to enhancing the future of food cooperatives in this state.

Yours faithfully,

  
A.V. Fitzgerald

on behalf of Management Committee Victorian Food Co-op Study Group

PREFACE

419-4818

Jane Stokes

This study of the Victorian Food Cooperative Study Group is significant because it records for the first time material about Food Cooperatives in Victoria.

This report is the result of an investigative piece of research that looks at an area in which information has not previously been collected. As a consequence it is necessarily a broad report. Its strength lies in the provision of a broad introduction to an area which has been ignored in the past. For the first time information about food cooperatives is documented and from this more specific areas can now be examined. This study provides a point from which more detailed work can advance.

The initial data gathering and meeting with food cooperatives has been a mammoth task. It is just a beginning to greater understanding of food cooperatives; so the policy implications must be limited by the introductory nature of the information. To date, food cooperatives have been given resources on an ad hoc basis. The first steps toward a more co-ordinated approach have now been taken.

This report is presented as an important starting point.

Alison Bourn

Elsje van Moorst

ACKNOWLEDGEMENTS

Many people have participated in the Food Cooperative Support Group since its inception and during this study.

Without the cooperation of the staff and volunteers of the Food Cooperatives in Victoria this research could not have taken place.

We would like to thank the members of the management and advisory committees to the Victorian Food Cooperative Study Group.

We are grateful for the ongoing support and encouragement of Tony Fitzgerald from the Brotherhood of St. Laurence. We would like to sincerely thank Pauline Cunningham and Elsje van Moorst for their work. We appreciate the guidance of Trisha Anderson, Allan Beesey, and Fred Meurs.

We would like to thank Steven Vaughan for his support and contribution in the matters of finance and viability. To Jim Ross, for his invaluable guidance from the initial stages of drafting the questionnaire to presenting this report, sincere thanks. We wish to acknowledge the help of Preston College at various stages of the project.

We hope that the work involved in this project will aid awareness about food cooperatives in the state and will strengthen the development of both existing food cooperatives and of new food cooperatives.

We look ahead to the time when food cooperatives can be described as a movement; one which provides real alternatives in our society.

Alison Bourn, Jane Stokes, Oenone Serle  
July 1984

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1. INTRODUCTION

1.1 SETTING

1.2 BACKGROUND TO STUDY

1.2.1 Food Cooperative Support Group

1.2.2 The changing face of a submission

1.2.3 Terms of reference

1.2.4 The funding and staffing of the study

1.2.5 Support for the study

## 1. INTRODUCTION

### 1.1 SETTING

It is Autumn, in Melbourne, 1984. A woman in her mid 30's stands in the kitchen of a neighbourhood house in the outer suburbs. As she gazes through the window, she thinks about the approaching, new century and what life will be like for her children. She feels a little powerless. And she feels isolated.

For her, the 'food co-op' is a means by which she can exercise some control over a vital part of her life. Along with about 70 other families, she is able to buy the type of food she wants in a manner that she prefers.

Meanwhile, on the third floor of some inner-city high-rise flats, a group of residents are running a store. Signs in Vietnamese and English advertise the competitive low prices of a variety of food and other goods. There is a welcoming atmosphere around what seems to be a far better alternative to the long walk to the large supermarkets. And a necessary daily chore becomes a social event for many people who are forced to live along these dark, hollow corridors which overlook the city.

Further away, in a large, industrial, rural town, a larger cooperative has been running for nearly 30 years. The cooperative store sells a wide range of goods but it is the only independent store operating in the district. Several large chain stores have made it impossible for any others to survive. However, the cooperative is committed to providing food cheaply for its members and, in fact, even manages to effect the maintenance of lower prices in the chain stores. In this way, the cooperative is serving the whole community.

These are a small but representative sample of food cooperatives presently operating in Victoria. Food cooperative is a simple term for what appears to be a broad response by many people to buy their food in a cooperative manner. For some this means being members of a formal enterprise that is registered and structured along the traditional lines as set out in the Cooperation Act. For others it is not so formal or structured. Regardless of the obvious differences in structure, however, the co-ops share the common goal of providing food for their members without being profit-oriented.

## 1.2 BACKGROUND TO STUDY

### 1.2.1 Food Cooperative Support Group

The impetus for the original submission to the Employment Initiative Programme (E.I.P.) came from the Food Cooperative Support Group, whose members were experiencing problems with gaining food supply and information. The submission sought funds to carry out a feasibility study into a food cooperative warehousing system, and to produce a resource book for food cooperatives.

The Support Group was formed in 1982 and grew out of an initiative of the Sharing Centre of the Brotherhood of St. Laurence. The food co-op at the Sharing Centre wished to establish regular contact with other food co-ops. The formation of the Support Group established the only central support structure for food cooperatives. Membership of the Support Group now numbers over 30 cooperatives. Its objectives include:

- \* the provision of practical and educational resources for food cooperatives;
- \* to offer a basis and structure where information is gathered and open to every member of the Support Group;
- \* to share knowledge and information concerning cheap sources of food.
- \* to provide and share information concerning all aspects of good nutrition;
- \* to support the development of new food cooperative projects.

The group meets monthly and decisions are made by consensus. The Support Group also recognises that all member groups have different needs, wants, clientele and direction and that the Support Group should be able to effectively embrace these differences.

### 1.2.2 The changing face of a submission

When the original submission for funding was submitted under the Ministry of Employment and Training's Employment Initiatives Programme, the major thrust was the development of concrete resources for food co-ops.

The Ministry of Employment and Training also felt that a need existed for greater knowledge about food co-ops in Victoria, and subsequently requested the incorporation of census material within the data collection process. The Ministry saw an urgent need for knowledge particularly because many groups were applying for government funds to establish food co-ops, and there was a dearth of information and understanding. A need for clearer policy directions was apparent.

The final submission which was funded became an incorporation of the Ministry's requirements and the needs of the Food Cooperative Support Group. It contained the Food Co-op Support Group's original warehouse feasibility study but excluded the resource centre proposal. No doubt, the Food Cooperative Support Group did not, by these changes to their initial ideas, achieve all they had hoped. However, the results of this study can only strengthen their demands for the improved provision of resources for food co-ops in Victoria.

#### 1.2.3 Terms of reference

- (i) Undertake a census of existing food cooperatives in Victoria.
- (ii) Provide an indication of the viability of these cooperatives.
- (iii) Provide an estimation of their buying power and details of their existing wholesale supply system.
- (iv) Identify the resource needs of the cooperatives, including management and business skills, deficiencies, training needs and wholesale supply needs.
- (v) Identification of their interaction and self help contacts with other cooperatives.
- (vi) Provide an examination of the methods which could meet the needs of food cooperatives in Victoria.

#### 1.2.4 The Funding And Staffing Of The Study

Funding of \$48,000 for a six month period was received in February 1984, from the Ministry of Employment and Training's C.D.P. unit. Two research workers were employed by the Food Co-op Support Group, one worker with a background in food wholesaling and production, and another from the Food Co-op Support Group. A research assistant was also employed to work on the project.



#### 1.2.5 Support For The Project

The project was sponsored by the Centre for Urban Research and Action. A Management Committee comprising 6 members of the Food Co-op Support Group plus the workers on the study was established. An Advisory Committee was also established; this includes representatives from the Ministry of Employment and Training, the Registrar of Cooperative Societies, the Co-op Federation of Victoria, the Collingwood, Richmond and Fitzroy Credit Co-op and the wholesale industry, and the Food Co-op Support Group. The 3 study group workers are also on this committee.

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## 2. METHODOLOGY

### 2.1 THE SAMPLE

#### 2.1.1 Criteria for inclusion in the study sample

### 2.2 DATA COLLECTION

### 2.3 THE REPORT

### 2.4 FEASIBILITY STUDY

### 2.5 CONSULTATION

## 2. METHODOLOGY

### 2.1 THE SAMPLE

Because the majority of food co-ops are not linked through any formal association there is no existing registry of all food cooperatives. The initial work of the study group was to locate the food co-ops in the state. Thirty groups were known through the Food Co-op Support Group. Other groups were located through advertising in a newspaper, distributed statewide, and through a press release to 30 regional newspapers. Access to groups was also sought through contact with many municipal and regional councils and community centres. The Community Youth Support Scheme (C.Y.S.S) regional network was also helpful in locating some cooperatives. Additionally the Registrar of Co-ops and the Federation of Co-ops gave the study access to their membership files. A total of 50 food co-ops made up the final sample of known food co-ops in the state.

#### 2.1.1 Criteria for inclusion in the study sample

A range of perspectives for the inclusion of food co-ops into the study has been considered. A perspective which is at the same time meaningful and broad enough to encompass the diversity of groups existing in Victoria needs to be understood.

It has been stated that cooperatives are democratic forms of business operation, owned and controlled by members who are workers, producers or consumers (C.D.P. 1984). In the case of food co-ops the main role of members is as consumers, that is they are people cooperating together for the purpose of consumption. Cooperative enterprises operate by 6 principles, the International Principles of Cooperatives. They are: open membership, democratic control, limited interest on share capital, equitable distribution of surplus, cooperative education, cooperation between cooperatives. These principles are generally applicable to the groups in this study. They form the criteria that has been applied for inclusion of groups in the study.

## 2.2 DATA COLLECTION

Because of the dearth of documented material about food co-ops in Victoria, it was necessary to gather data from the primary source, that is from the co-ops themselves. The method for information gathering was through:

- (i) Extensive consultation and visits with the groups.
- (ii) Development and distribution of a comprehensive questionnaire.
- (iii) A large meeting of all cooperative groups where the information gathered from the study and the study group proposals were discussed and verified by the groups.

## 2.3 THE REPORT

The third phase of the study will be the final report about Victorian Food Cooperatives. This will be available at the end of July 1984. The report will address all the areas of the terms of reference excluding the feasibility study of a warehouse system.

## 2.4 FEASIBILITY STUDY

The business plan for the warehouse system will be completed at the end of August 1984.

## 2.5 CONSULTATION

The study group has sought (technical) assistance from a sociologist from the Chisholm Institute and an economist from La Trobe University.

### 3. CENSUS

- 3.1 THE RESEARCH SAMPLE
- 3.2 THE LOCATION OF FOOD COOPERATIVES
- 3.3 YEAR OF FORMATION OF FOOD COOPERATIVES
- 3.4 MEMBERSHIP OF FOOD COOPERATIVES
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- 3.6 TYPES OF FOOD DISTRIBUTED BY FOOD COOPERATIVES
- 3.7 LEGAL STATUS OF FOOD COOPERATIVES
  - 3.7.1 Registration of cooperatives
- 3.8 COOPERATION BETWEEN COOPERATIVES
  - 3.8.1 Information/skills
  - 3.8.2 Purchasing

### 3. CENSUS

#### 3.1 THE RESEARCH SAMPLE

The study group has located 50 cooperatives operating in the state of Victoria. All were asked to complete the questionnaire and 46 of them did so. This is 92% of all known food co-ops. Two questionnaires were received too late to be included, so the sample throughout this study is 44.

In addition to the 50 known cooperatives, one is known to have ceased operation during this study period. Seventeen enquiries have been received from groups who wish to establish food cooperatives. These potential co-ops would fall predominantly into the category of community co-ops, with perhaps some buying groups being established. The groups who have contacted the study group include neighbourhood houses, church groups, Community Youth Support Scheme. There are few resources for groups just starting up. Assistance was provided when possible and they have been directed to the Food Co-op Support Group.

#### 3.2 THE LOCATION OF FOOD COOPERATIVES

The 50 co-ops on the attached maps were included in the sample. Although they did not all participate in the questionnaire, they have all provided information for the study.

'Metropolitan' co-ops are mostly situated within a 30 kilometre radius from the G.P.O. in the City of Melbourne, with those categorised as 'country' falling outside this area. However, two exceptions exist to this general rule. One co-op east of Melbourne which is more than 30 kilometres from the G.P.O. has been included within the 'metropolitan' category, as it is situated within the well-serviced, built up areas of the eastern suburbs. Another within 30 kilometres of the G.P.O. north-east of Melbourne has been included in the 'country' category because of its isolation from more urban environments.

Figure 1: Map of location of Victorian Metropolitan food cooperatives  
(35 co-ops)

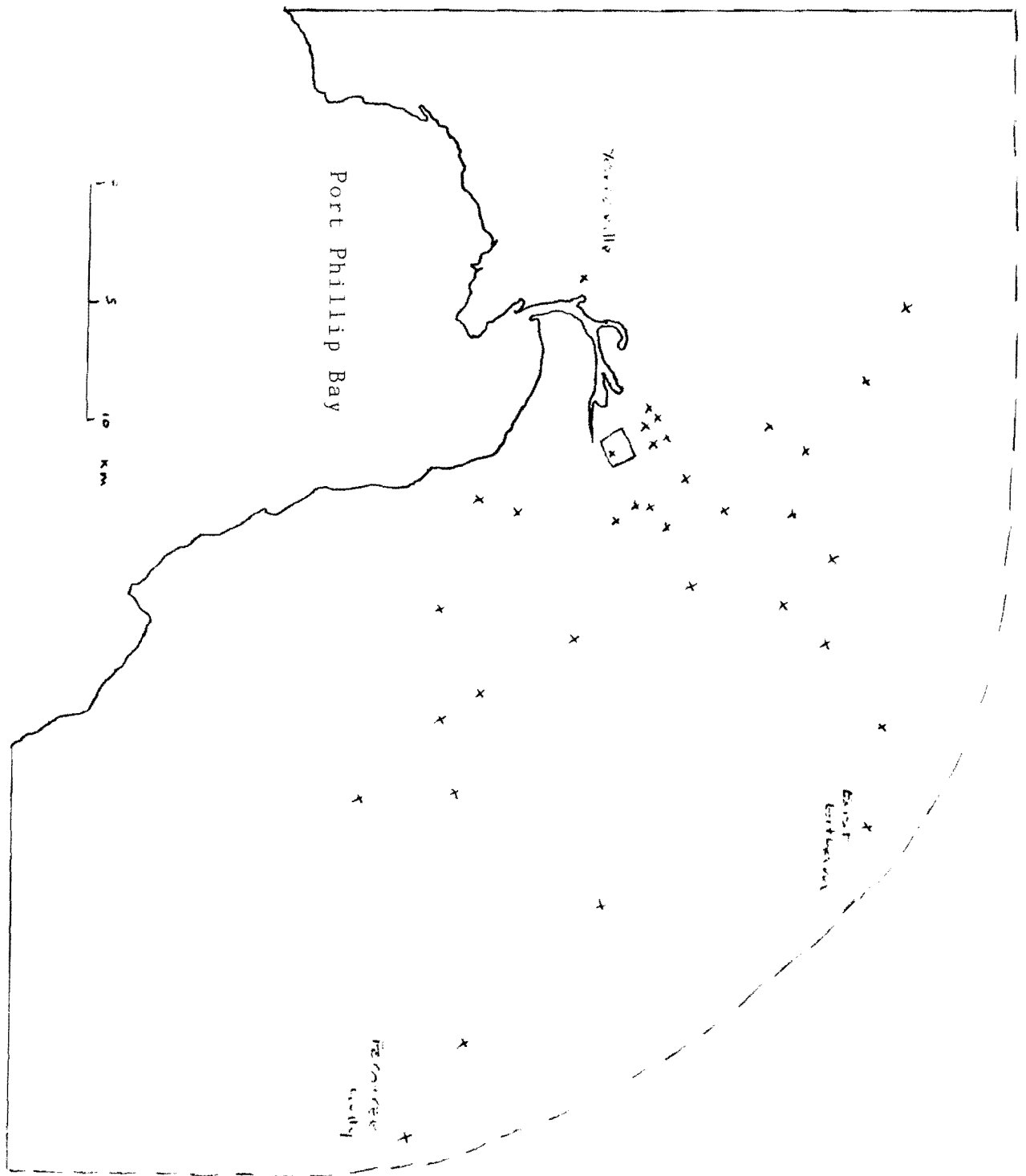
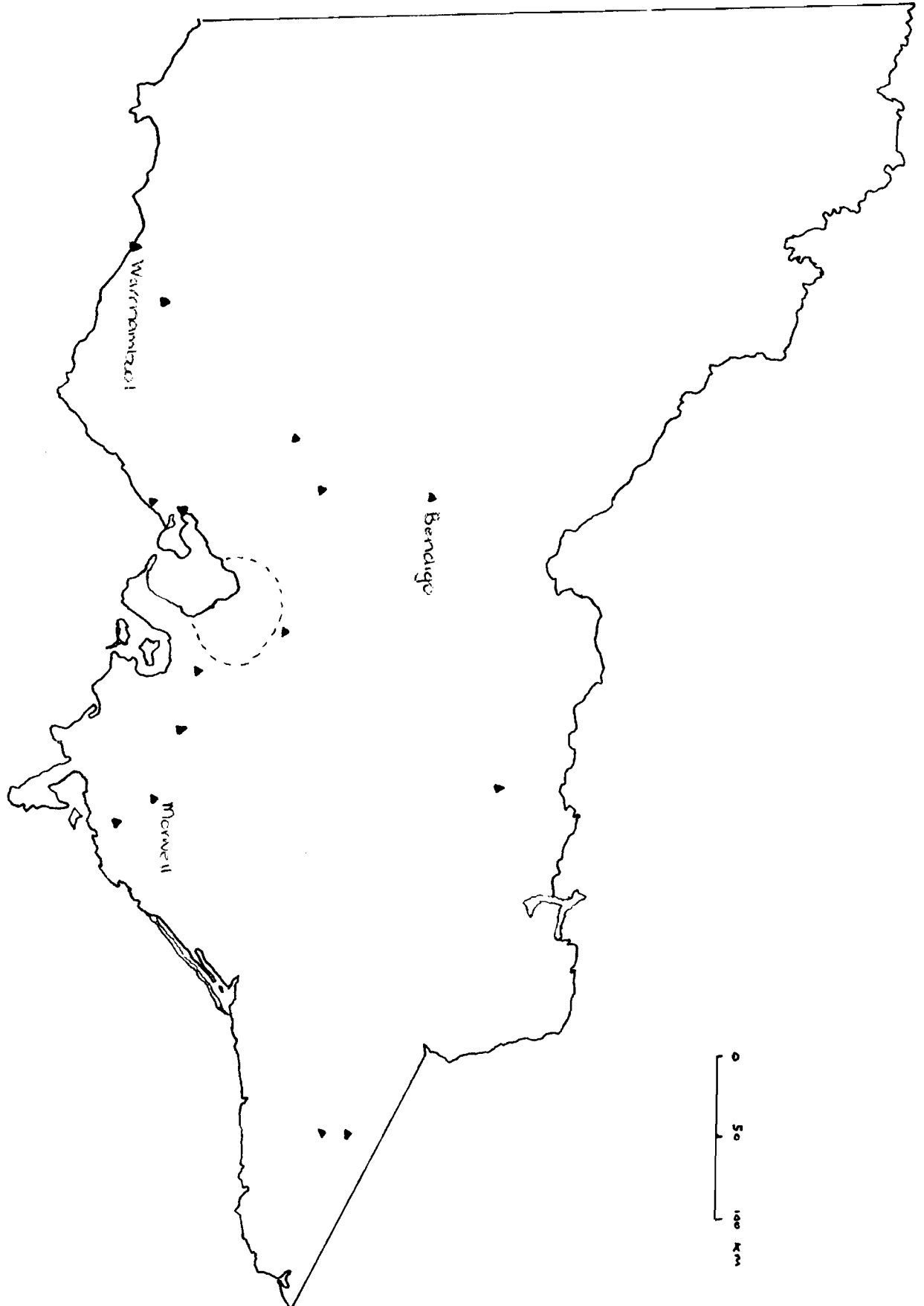


Figure 2: Map of location of Victorian Country food cooperatives  
(15 co-ops)





The research findings refer to 44 co-ops. The location of the 44 that responded to the questionnaire is as follows.

Table 1: Location of food cooperatives

Location of Co-ops	Number of Co-ops	% of Co-ops
Metropolitan	31	70%
Country	13	30%
Total	44	100%

### 3.3 YEAR OF FORMATION OF FOOD COOPERATIVES

Table 2: Year of formation

Year	Number of Co-ops	% of Co-ops
1983 - 1984	9	20%
1980 - 1982	15	34%
1978 - 1979	8	18%
1975 - 1977	7	16%
1970 - 1974	2	5%
1960 - 1969	1	2%
Pre 1959	2	5%
Total	44	100%

54% of co-ops were formed in the last 5 years (1980 - 1984).

Table 3: Comparison of year of formation to location

Location	Year of formation							Total
	1983 - 1984	1980 - 1982	1978 - 1979	1975 - 1977	1970 - 1974	1960 - 1969	Pre 1959	
Metropolitan	8	13	4	5	1			31
Country	1	2	4	2	1	1	2	13
Total	9	15	8	6	2	1	2	44

Of the 24 co-ops formed in the last 5 years (1980-1984), 21 (87.5%) are metropolitan and 3 (12.5%) are country.

Of the 13 country co-ops only 3 (23%) were formed in the last 5 years (1980 - 1984).

Of the co-ops identified, which were formed prior to 1960 and which are still operating, all 3 (100%) are in the country.

Table 4: Comparison of year of formation to classification of cooperatives\*

Classification	Year of Formation							Total
	1982 - 1984	1980 - 1982	1978 - 1979	1975 - 1977	1970 - 1974	1960 - 1969	Pre 1959	
Collective Access		3			1			4
Buying group	1	4	2	2				9
Community Co-op	7	8	2					17
Tertiary Co-op			3	2	1			6
Small Trading	1		1	1				3
Traditional Trading				2		1	2	5
Total	9	15	8	7	1	1	2	44

\* An explanation of the classification of cooperatives appears in section 4.2.

### 3.4 NUMBER OF MEMBERS OF FOOD COOPERATIVES

Some cooperatives specify that their membership numbers refer to a number of households. It is assumed that individual members of cooperatives are buying for households, however large or small. Therefore membership numbers should be taken as numbers of households catered for by food co-ops. Total membership of food cooperatives is 16,734 households.

Table 5: Number of members

No. of members	Number of Co-ops	% of Co-ops	% of total membership
0	3	6.5	0
1 - 50	21	48	3
51 - 100	3	6.5	15
101 - 500	9	21	16
501 - 1000	4	9	18
1001 - 6000	4	9	48
Total	44	100	100

Note: Three co-ops do not have a membership.

Therefore, this table highlights an interesting comparison between the smallest (1 - 50 member) and largest (1001 - 6000 member) co-ops. The greatest number of co-ops (ie. 1- 50 member) contribute only 3% of the total membership, whereas the smallest number of co-ops (ie. 1001 - 6000 member) contribute 48% of the total membership.

Table 6: Comparison of number of members to year of formation

Members	Year of formation							Total
	1983 - 1984	1980 - 1982	1978 - 1979	1975 - 1977	1970 - 1974	1960 - 1969	Pre 1959	
0	1		1		1			3
1 - 50	5	9	3	3	1			21
51 - 100	1	1	1					3
101 - 500	1	4	1	3				9
501 - 1000	1	1	1				1	4
1001 - 6000			1	1		1	1	4
Total	9	15	8	7	2	1	2	44

Of the 24 co-ops formed in the last 5 years (1980-1984), 17 (71%) have a membership of 100 households or less.

Of co-ops formed in 1960 or earlier, all 3 (100%) have a membership of over 500.

Table 7: Comparison of number of members to location

Location	Number of members						Total
	0	1 - 50	51 - 100	101 - 500	501 - 1000	1001 - 6000	
Metropolitan	3	15	3	8	2		31
Country		6		1	2	4	13
Total	3	21	3	9	4	4	44

Of the 24 co-ops with a membership of 50 or less, 18 (75%) are metropolitan. Eighteen (58%) of all metropolitan co-ops have a membership of 50 or less. Of the four co-ops with more than 1,000 members, all (100%) are situated in country areas.

#### 3.4.1 Eligibility for membership

The total membership of the food cooperatives in the study is 16,764 households. Question C3 of the questionnaire asked "Who is eligible for membership?". The responses were considered in light of Principle 1, Open Membership, of the Cooperative Principles (see Appendix 10.2). All food cooperatives are operating in line with this principle of open membership. Co-ops have adapted this principle to their specific needs. Food co-ops agree with point 64 of the Ministerial Advisory Committee on Cooperation that:

"The Principle of Open Membership can in fact be restricted by the rules of cooperatives. In assessing the principles of Open Membership, it is necessary to relate this to the common bond" (M.A.C., June, 1984: section 64).

Questionnaire Data:

Of the co-ops in the study, three indicate they have no membership structure, and 41 indicate an open membership.

Of the three with no formal membership arrangement, one considers membership as inappropriate to their objective of servicing "socially disadvantaged people". They feel that all people have equal rights to these services and a membership structure prevents this. Another operates as a shop serving all and the third has recently opened a food store and has yet to form a membership structure.

Nineteen of the 41 groups in the open membership section state that anyone can join. There is an assumption that they are able to pay, are interested, will comply with the cooperative conditions and are sympathetic to the objectives. Twenty indicate some criteria for their membership. This criteria includes: being a resident in a specific area, low income people, young people, those willing to participate, those associated with a wider group, e.g. neighbourhood house, tertiary institution. Two groups state membership is restricted; this is due to the desired size of the group. Within those size constraints anyone can join. The basis for membership of these co-ops stems from their mutual interests.

3.4.2 Payment for membership

The following table presents a summary of the methods of payment for membership.

Table 8: Payment for membership.

Types of payment	No. of Co-ops
1. No payment for membership	13
2. Payments for membership	
(a) refundable	11
(b) non-refundable	19
(c) combination of (a) & (b)	1
Total	44

(i) Co-ops with a payment for membership in their structure (31)

Equity cooperatives (6)

Six of the cooperatives in this study are equity co-ops. In these co-ops, members invest money and shares are issued to them. The co-op pays either limited or no dividends on the shares and each shareholder has only one vote at meetings, regardless of the number of shares owned. At the end of the year the co-op's surplus is either reinvested or returned to the members in proportion to the amount of their purchases. Members who withdraw can usually sell their shares back to the co-op. The registered co-ops are all equity cooperatives. The value of the shares in these co-ops ranges from \$10.00 to \$60.00 minimums.

Cooperatives that have membership fees (25)

In these co-ops persons or households wishing to participate pay a membership fee or volunteer their time or do both. No shares are issued. These co-ops do not pay patronage refunds or rebates. In practice they pass savings on to members by setting prices as low as possible. Since the membership fee is usually small, co-ops raise much of their capital from grants, loans, contributions and operating surplus. Buying groups, collective access groups, community, tertiary and small trading cooperatives are all examples of co-ops with membership fees.

Six co-ops charge an initial joining fee or deposit which is refundable on leaving. This payment ranges from \$10.00 to \$35.00 and in most cases, co-ops have concessional rates.

There are 20 co-ops (includes b and c in Table 8) that charge a non-refundable fee. For 6 of these it is a life membership ranging from \$0.50 for one community co-op to \$20.00 for one buying group. For the remainder there is an annual fee ranging from \$1.00 for three of the community co-ops through to \$15.00 for one of the small trading cooperatives. Most co-ops either vary their charges according to individual means or have concession rates.



(ii) Cooperatives with no payment for membership (13)

Participation as the basis of membership (8)

Eight cooperatives have participation as the basis of their membership. By volunteering their time to work in the co-op, individuals can become members. These 8 co-ops include collective access and buying groups and tertiary and community coops.

For some cooperatives membership combines the requirement of participation in the running of the operation as well as the payment of a membership fee.

Other criteria for membership (5)

One co-op states that 'socially disadvantaged people have equal rights to these services', hence its commitment to no membership fee. One group operates as a store serving anyone. It has no membership structure. Another group has recently set up a store and is in the process of establishing a membership. Two co-ops have a membership, but do not charge a fee. Their criteria is that of a need or interest in being involved.

Table 9: Income derived from membership fees

Classification of of	No membership	No fees paid	Non-refundable initial joining fee (1)		Non-refundable annual fee (2)		Refundable initial joining fee & shares (1) (2)		Unanswered
Cooperative	Co-ops	Co-ops	Co-ops	\$	Co-ops	\$	Co-ops	\$	Co-ops
Collective Access & Buying Groups		7	3	1000			3	1610	
Community co-ops	1	2	5	2025	9	4147			
Tertiary co-ops	2	1			2	2037			1
Small Trading Co-ops					3	15850	1	6500	
Traditional Trading co-ops							5	352910	
Total	3	10	8	3025	14	22034	9	361020	1

Notes: (1) These amounts are aggregated from fees since the co-op's date of inception. They do not indicate annual subscriptions.

(2) One of the small trading co-ops combines a share structure and a trading levy.

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### 3.5 WORKFORCE IN FOOD COOPERATIVES

Table 10: Description of workforce

Workforce	Female workers		Male workers		Unspecified		Total	
Volunteers	315	48%	162	24%	184	28%	661	100%
Paid Workers	97	54%	83	46%			180	100%
Total	412	49%	245	29%	184	22%	841	100%

The total workforce of the food co-ops includes the total number of paid workers plus the total number of volunteers. There may be a hidden additional amount, in that one household-member is often counted as one volunteer worker, when in fact more than one member of a household may work.

#### 3.5.1 Nature of workforce

There are many more voluntary workers than paid workers in the food cooperative movement. Of a workforce of 841, 661 are volunteers (79%). Almost half of these voluntary workers are known to be female (48%). Twenty-four percent (24%) of the voluntary workers are male. A high percentage of co-ops (28%) did not specify the gender of volunteers. They probably did not want to, or were unable to estimate because it varies from time to time. It is expected that a greater proportion would be women, going by the pattern in the other co-ops. Of the total paid workforce, 54% are female, 46% are male.

The total number of female workers in the food co-op movement, 315 (76%) are volunteers, while 97 (24%) are paid. Of the total number of male workers in the food co-op movement 162 (66%) are volunteers, while 83 (34%) are paid. In the food co-ops a greater percentage of male labour is paid than is the case for female workers.

Table 11: Paid workforce

Nature of workforce	Number of Co-ops	% of Co-ops
Co-ops with paid labour	21	48%
Co-ops without paid labour	23	52%
Total	44	100%

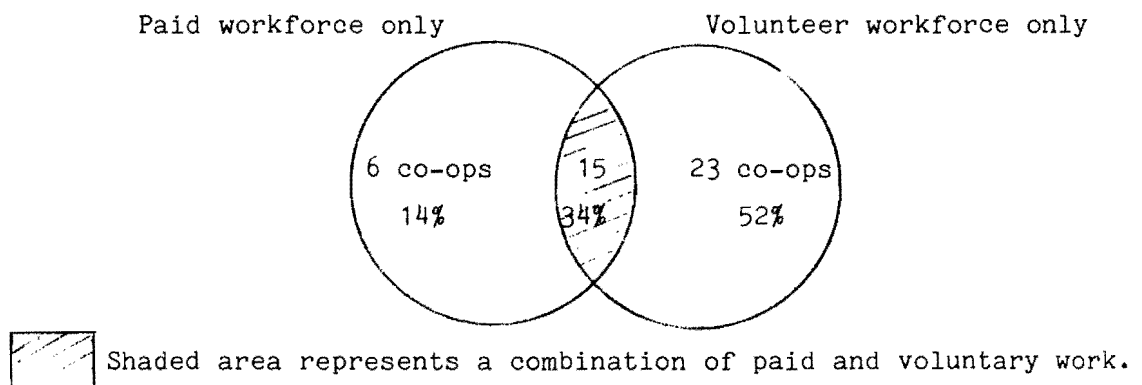
Six co-ops (14%) use paid labour exclusively. They employ 141 workers between them. They include the 5 Traditional Trading Co-ops, which employ 133 of these workers. The 15 co-ops which operate with some paid labour employ the remaining 39 paid workers.

Of a paid workforce of 180, 131 people (73%) are paid by an award, and 49 (27%) by negotiation.

Table 12: Volunteer workforce

Nature of workforce	Number of Co-ops	% of Co-ops
Co-ops with volunteers	38	86%
Co-ops without volunteers	6	14%
Total	44	100%

Figure 3: Diagrammatic representation of workforce types



### 3.5.2 Reimbursement of volunteers

To the question of reimbursement of volunteers asked in the questionnaire, the cooperatives responded as follows:

Table 13: Reimbursement of volunteers

	No. of Co-ops
Co-ops with no volunteers	6
Co-ops with volunteers	
(a) reimbursement	14
(b) no reimbursement	24
Total	44

A number of co-ops state that as all members share the duties, there is no need for reimbursement of any kind. The range of reimbursements offered include:

free lunches (2 co-ops), discount on purchases (6 co-ops), petrol/transport costs paid (4 co-ops), telephone and postage costs paid (1 co-op), free cups of coffee (1 co-op).

Note: The three co-ops which indicate discount on purchases, indicate this same amount in their differential pricing system.

### 3.5.3 Union membership

Table 14: Union membership

	Number of workers	Number of Co-ops
Union members	37	4
Not union members	113	16
Unspecified	30	1
Total	180	21

Of the total paid workforce of 180 people employed by 21 co-ops, 37 (20%) workers are known to be trade union members. This known union membership is concentrated in 4 (19%) of the cooperatives using paid labour.

### 3.6 TYPES OF FOOD DISTRIBUTED BY FOOD COOPERATIVES

Table 15: Types of food

	Number of co-ops	% of co-ops
Processed food only	9	20%
Wholefoods only	21	48%
Fruit and vegetables only	3	7%
Combination of any 3 above	11	25%
Total	44	100%

For a discussion on the amount of money spent by the food co-ops in each of these food types, refer to financial section.

### 3.7 LEGAL STATUS OF FOOD COOPERATIVES

Table 16: Legal status

Type of legal status	Number of co-ops	% of co-ops
Registered trading co-op	6	14%
Any other legal status	23	52%
No legal status	15	34%
Total	44	100%

Note: "Any other legal status" includes:

Companies limited by guarantee

Incorporation of Associations Act

Auspice bodies - i.e. community house, student union, neighbourhood house, community health centre, registered community co-op

Registration with city council

Retail traders licence.

Table 17: Comparison of legal status to number of members

Type of legal status	Number of members						Total
	0	1 - 50	51 - 100	101 - 500	501 - 1000	1001 - 6000	
Registered trading co-ops				1	2	3	6
Any other legal status	3	7	3	7	2	1	23
No legal status		14		1			15
Total	3	21	3	9	4	4	44

### 3.7.1 Registration of cooperatives

Cooperatives were asked whether they would register as a cooperative under the 1981 Cooperation Act. They were also asked the reasons for their answer. Responses to the question indicated an overwhelming lack of knowledge about the Registrar.

Table 18: Would you register with the Registrar of cooperatives?

Response	No. of co-ops	%
No	17	39
Uncertain	9	20
Yes	8	18
Already registered	6	14
Unanswered	4	9
Total	44	100

The reasons co-ops gave for answering 'no' to this question include that there are no benefits for the groups, a fear of the process and financial requirements of registration and that registration is inappropriate for the nature and size of the groups. One co-op stated 'group works informally and (it) wouldn't want to lose this with formal requirements'. For some co-ops their current status is more appropriate eg. as part of a neighbourhood house. One co-op stated that the current Cooperation Act is inappropriate for self-help collectives.

A number of co-ops have been advised not register. This is because their structure or proposed structures do not meet the requirements of registration. It seems necessary to look at appropriate ways for food cooperatives to obtain some form of legal status or registration. The 1981 Cooperation Act is not appropriate for many of these food cooperatives. Food cooperatives support the work of groups and committees currently examining the Act.



The 9 food co-ops that responded 'uncertain' to this question also indicated a lack of knowledge about the Registrar and what it is. Four co-ops have not answered the question.

The groups answering 'yes' indicated that if registration provided benefits, support and help for the co-ops in buying their foodstuffs they would register. Most of these co-ops also asked for more information. One co-op said it would like to register, but it was not acceptable to the Registrar. This co-op was not prepared to restructure to meet registration requirements.

Food cooperatives are asking three things in relation to registration. These are:

- \* information about the Registrar;
- \* legal recognition which is appropriate to them;
- \* an examination of the existing Cooperation Act of 1981, in light of its inappropriateness for food cooperatives.

### 3.8 COOPERATION BETWEEN COOPERATIVES

According to the cooperative principles, cooperatives must indicate a willingness to offer assistance to other co-ops in whatever manner they can.

"All cooperative organisations in order to best serve the interests of their communities should actively cooperate in every practical way with other cooperatives of local, national, and international levels". (M.A.C.C. June 1984, Section 8)

A great number of food cooperatives indicate their willingness to cooperate with other co-ops at a local level. This is demonstrated through their participation at Cooperative Support Group meetings where many practical issues relating to food co-ops are discussed. The nature and extent of cooperation between cooperatives was canvassed in the questionnaire with the question 'Have you assisted or gained assistance from other co-ops in the following areas?' Responses to the question are recorded in the following table.

Table 19: Cooperation between cooperatives

	Information/ skills		Equipment		Purchasing		Transport		Financial	
	No.	%	No.	%	No.	%	No.	%	No.	%
Often	6	14	2	4	8	18	3	7	3	7
Sometimes	31	70	3	7	13	30	5	11	5	11
Never	4	9	36	82	20	45	33	75	33	75
No response	3	7	3	7	3	7	3	7	3	7
Total	44	100	44	100	44	100	44	100	44	100

### 3.8.1 Information/skills:

Eighty-four percent (84%) of co-ops have cooperated often or sometimes in the information/skills section. This question covers the areas of decision making, skills sharing and general information sharing. The degree of cooperation in these areas suggests there is a very considerable interest in the exchange of ideas, expertise and skills between cooperatives. The response also ties in with the 'needs' section(6.3.3) in which 39% of all groups indicated major problems with their decision making. The response to the cooperation between cooperatives question would suggest that many groups have attempted to resolve their problems with information/skills through the food co-op network, though this has clearly not been sufficient.

### 3.8.2 Purchasing

Forty-eight percent (48%) of all groups have often or sometimes offered or gained assistance in the area of purchasing. This has been in the form of practical assistance, where some of the larger co-ops have purchases for the smaller ones. More general assistance has been offered with the sharing of information about suppliers and the best sources of foods. Although this cooperation has been extensive, many groups still experience considerable

problems with supply/purchase. Fifty percent (50%) of all groups state that supply/purchase is a major problem area. For further discussion of supply/purchase refer to section 5.

Relatively little cooperation occurs between food co-ops in the areas of equipment, transport, and finances. A severe scarcity of resources in these areas may account for this. Eighteen percent (18%) of all food co-ops have cooperated often or sometimes in the areas of transport and finances, whilst with equipment sharing only 11% of food co-ops have done so.

It can be seen through the responses to the areas of information/skills and purchase that where there are resources or skills available they are shared to a considerable extent. However, with the scarce resources of equipment, transport and finances food cooperatives have a very limited capacity to offer each other assistance.

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4. THE NATURE OF FOOD COOPERATIVES

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4.1 INTRODUCTION

4.2 CLASSIFICATION OF FOOD COOPERATIVES

- 4.2.1 Collective Access Groups
- 4.2.2 Buying Groups
- 4.2.3 Community Cooperatives
- 4.2.4 Tertiary Institution Cooperatives
- 4.2.5 Small Trading Cooperatives
- 4.2.6 Traditional Trading Cooperatives

4.3 PARTICIPATION AND DECISION MAKING

- 4.3.1 Participation in food cooperatives
- 4.3.2 Membership and participation
- 4.3.3 Membership and decision making

4.4 ISSUES AND CONCERNS

- 4.4.1 The industrial argument
- 4.4.2 substitute for appropriate change and government responsibility
- 4.4.3 Task achievement and group processes
- 4.4.4 Individual and group needs
- 4.4.5 Union participation
- 4.4.6 Democratic control
- 4.4.7 Cooperative structure: constraining factors
- 4.4.8 Further comments

#### 4. THE NATURE OF FOOD COOPERATIVES

##### 4.1 INTRODUCTION

The cooperatives involved in the study vary greatly as to why they formed, their size, their structure, the food sold, and their ideology.

Undeniably, food cooperatives are organised to save money. They are also organised in response to a desire for a more ethical and just society.

People from all sectors of society are being attracted to the notions of food cooperatives. These notions include being able to participate in the decision making and running of the cooperative, the ability to learn new skills and to exchange skills, the involvement in a collective activity with consequent social benefits, The knowledge that the prices of their food are just and that the co-op is not operating on a profit-motivated basis are important aspects for cooperators. That food co-ops can be set up with minimal capital makes them accessible to many people. That people can be involved with the economic structure of the business is important.

It is evident from the study that some of these notions are more important in some cooperatives than in others. Two areas of importance for cooperatives are those centred around the rights of consumers and of workers.

Consumer cooperatives empower the consumer through the exercise of consumer democracy - providing an opportunity for consumers to effect greater control over the provision of goods and services. For food cooperatives, this means greater control over price, quality, product selection, packaging, shopping environment.

This concept of consumer democracy is designed to enable people to gain the skills, knowledge and resources whereby they feel able to control these aspects of their lives.

Through the process of worker democracy, workers have a voice in decision making as well as the members.

The following chapter presents, firstly, a classification of cooperatives (section 4.2). It should be noted that these categories are not necessarily exclusive. The study group has found it useful when considering some aspects of food cooperatives to do so in the context of these classifications. Secondly, the chapter considers the roles of participation and decision making within the food cooperatives (section 4.3). These are dealt with in the context of the cooperative classifications. Finally, some concerns are raised (section 4.4). There is a strong recommendation that these concerns be examined further. Such an examination is beyond the scope of this report.

## 4.2 CLASSIFICATION OF FOOD COOPERATIVES

The following classifications were formed after consideration of the financial structure of the cooperatives. The classifications are not mutually exclusive as regards their characteristics. They seek to characterise each group by one outstanding aspect of their operation or structure. Many of the groups share common features.

### 4.2.1 Collective Access Groups (4)

A 'collective access' group buys from a weekly or monthly contribution from each of its members. The goods are stored privately and each member takes from the store the amount required for their needs. There is no other exchange of money. "Once contribution is made access to goods is free and on a trust basis". Members are committed to sharing their incomes in relation to food requirements. Work is rotated and voluntary. Food stocked is wholefood. Groups have no formal status.

### 4.2.2 Buying Groups (9)

A 'buying group' purchases goods collectively, generally on a pre-order basis. Goods are individually priced and members pay for their own requirements and contribute to the costs incurred, e.g. freight, telephone. Work is usually rotated and voluntary. Groups have no formal status. The frequency of buying varies from weekly, e.g. fruit and vegetables, to four times per year, e.g. dried goods for country groups. Following each 'buy' is a sorting and weighing day at a member's home. Foods involved are either wholefoods or fruit and vegetables.

#### 4.2.3 Community Cooperatives (17)

These cooperatives are associated with a wider community activity e.g. church, neighbourhood house, community health centre, high-rise estate community. Often the larger group absorbs some of the costs of running the food shop, e.g. rent, stationary, power. Community co-ops have a shop with priced goods and work is generally voluntary. Some have received funding to pay for coordinators for a specific period, e.g. F.A.C.S., E.I.P. Community workers are often involved. Some have evolved because of the necessity to provide food as cheaply as possible to low income families, others because of the unavailability of certain food lines at reasonable prices in the locality. Most fulfil a vital social role, "to bring members together in a community spirit" or, "encourage people to participate in collective activity, thus improving and expanding social networks and local supports". All types of food are involved - processed, wholefoods, and fruit and vegetables. Opening hours vary from 4 per week to 40 per week with many between 10 and 15. Some groups hold a business permit from their local council; others are accountable to their associated community group.

#### 4.2.4 Tertiary Institution Cooperatives (6)

The food cooperatives associated with tertiary institutions operate with a combination of paid and voluntary workers. Their finances are linked with the wider student union body and in most instances costs are subsidized by the union. Foods involved are mainly wholefoods, sold from a shop in the union building. Opening hours vary from 10 to 40 per week.

#### 4.2.5 Small Trading Cooperatives (3)

The three food cooperatives in this group are structured to include paid staff and active member participation. They are operating as a shop with a local council permit and may or may not be registered as a cooperative. They open at least 40 hours per week and aim to be financially independent units covering all costs. Paid staff are responsible for purchasing, finances, promotions, etc. Members are generally involved with the retail shop operation e.g. restocking, checkout.

#### 4.2.6 Traditional Trading Cooperatives (5)

These are registered trading cooperatives all situated in the country. Two stock mainly food products and three have a mixed shop floor. All employ staff and policy is decided by a Board of Directors. In the day-to-day running of the business membership participation, other than purchasing, is minimal. Three are committed to providing food as cheaply as possible. Foods involved are fruit and vegetables, processed and wholefoods. They resemble supermarkets and are open at least 40 hours per week.

#### 4.3 PARTICIPATION AND DECISION MAKING

##### 4.3.1 Participation in food cooperatives

Control over the structures and institutions which affect peoples lives has increasingly moved from the hands of individuals and communities into the ambit of bureaucracies and corporations. This has often created a win/lose situation -- as professionals, bureaucracies and corporations gain and individuals lose control over their lives.

The cooperative movement, and specifically the food cooperative movement is a response to this. It pursues the principles of democracy, equity and mutual interest through economic, social and participatory structures which are considerate of the individual.

The importance of participation is seen in that 79% of workers in the 44 co-ops of the study contribute their labour on an unpaid basis.

The case for participation is two-fold. Firstly, for many of the emerging cooperatives and small cooperatives it is not financially possible to pay the wages of sufficient staff to perform all the duties of running the co-op. Members of these co-ops choose to participate voluntarily and share the responsibilities, thereby ensuring the benefit from continued operation. Such participation ensures the cooperatives existence and growth, sometimes with the hope that more members may benefit and eventually support more paid work.



On the other hand, in many food cooperatives members choose to retain a high voluntary participation rate regardless of financial considerations. Member participation in all aspects of the food cooperative, from decision-making to sweeping floors, is seen as a vital element of the nature of the co-operative. These members believe that the spirit of working cooperatively is as important as buying goods. Furthermore, participation is seen as a way each member can exercise their democratic control.

For any food cooperative there is a 'social capital' to be gained from member participation, as important to many cooperatives as is its financial capital. It is through participation that a sense of control is realised which is aimed at strengthening the base of the cooperative and empowering the individual.

There are many reasons why people become members of food cooperatives. Some wish to buy cheaper food, others seek the spirit of community in working together. Others prefer the productive form of the activity, while for some the food cooperative simply breaks their isolation.

To some extent this form of participation reflects what Richard Titmuss (1970) called the 'gift relationship', that people volunteer their time and energy as a case for social rather than commercial exchange as the basis for human relationships.

Involvement in cooperative ventures may provide satisfaction of personal needs and development, the opportunity to learn new skills, use old skills, make new friends and enjoy mutual sociability.

Reasons for member participation in food cooperatives is reflected by the objectives outlined in the survey responses. These responses illustrate a variety of ideals and objectives encompassing practical, social, educational and political notions, and cooperative ideals.

The practical aims are stated as:

- \* to provide food as cheaply as possible
- \* to enable the purchase of food locally
- \* to provide food free of wasteful packaging
- \* to provide food of quality -- unrefined, minimally processed, fresh, free of chemicals, nutritional
- \* to enable bulk purchasing of food.

Social reasons include:

- \* to encourage people to participate in collective activity -- trust sharing
- \* a social activity for isolated families and individuals
- \* to provide support to people in difficulties using 'self-help' principles
- \* to encourage local cooperation and friendship
- \* to put fun and friendship back into shopping
- \* to encourage community spirit and activity.

Educationally oriented goals include:

- \* to provide opportunities for skills development and exchange
- \* to encourage unemployed people to improve their skills and self confidence
- \* to encourage discussion and thought about food -- nutrition, processing, effective buying etc.
- \* to introduce healthy foods into healthy diets through budget cooking classes
- \* to encourage and support an awareness of a healthier lifestyle.

Some political objectives encompass:

- \* the control over one's own food buying and budgeting
- \* lack of faith in present systems of distribution and marketing of foods
- \* the need to find viable alternatives to current distribution networks
- \* to operate on a non-profit basis
- \* lobbying for increased understanding and assistance for people on low incomes
- \* to provide service to disadvantaged people.

Many groups addressed the co-operative nature of their activities:

- \* encourage people to participate in collective activity
- \* enable people to be involved in a cooperative structure
- \* explore working cooperatively to provide basic foodstuffs
- \* alternative structure for community living.

Although different groups lay greater emphasis on some of these objectives than others, a strong emphasis on cheap food, assistance to low income people and a desire for nutritious foods was apparent throughout the responses.

#### 4.3.2 Membership and participation

A large number of food cooperatives in this study (48%) have a membership of between 1-50; this applies to both metropolitan (48%) and country (46%) cooperatives. Those cooperative with more than 1,000 members (9%) are all located in country areas.

Of a total membership of 16,734, 661 members (4%) contribute voluntary labour. However, this figure is grossly distorted, as the six cooperatives which operate with no voluntary labour constitute 10,761 (64%) of the total membership. Therefore, of those 38 cooperatives which actually operate with some or all voluntary labour, and which have a membership between them of 5,973, 661 members (11%) contribute voluntary labour.

The survey information indicates that all four of the collective access groups operate with 100% voluntary member participation, and six out of the nine buying groups (67%) had voluntary member participation.

Within community groups there was a large range of member participation levels, with one group indicating a participation rate of 100% on the one hand, and at the other end of the scale, one group having a participation rate of only 3%.

Therefore, the majority of members (96%) benefit from the existence of food cooperatives as consumers only.

The degree and type of participation varies in the 44 cooperatives. The size and structure of the individual co-ops is reflected in their form of democratic participation. Discussion with the co-ops have highlighted participation as a major area of concern for them. Small cooperatives that are structured around active member participation state that they are concerned for their survival when participation is minimal. Some of the large traditional trading cooperatives have expressed concern with the resultant minimal member participation enforced by the nature of their structure. They indicate that their commitment to, and ideals of participation are often not matched by the reality. The food cooperatives have requested assistance with the reserach and formulation of strategies to meet their objectives of participation.

#### 4.3.3 Membership and decision making

The extent and nature of members involvement in decision-making ranges from a very informal, unstructured, 'one in, all in' situation, to formalised and structured involvement of members through the mechanism of annual general meetings and boards of directors.

There are few surprises when analysing the survey responses to the question "Who makes decisions in the cooperative about (a) day to day activities and (b) policy?"

It is be expected that answers such as "everyone", "everyone who attends meetings", "members present at the time", "volunteers", were primarily provided by the Collective Access Groups, Buying Groups and Community Cooperatives. On the other hand, more formal structures of decision making appear to exist within Tertiary, Small Trading and Traditional Trading Cooperatives.

However, the statistics are somewhat unclear in the area of day-to-day decision making due to the use of 'coordinators' by a variety of groups. The survey data does not provide sufficient information as to the actual role of the coordinator vis-a-vis other members of the cooperatives. In addition, some coordinators are paid while others are not, further confusing the possible relationships. As has been indicated in the census section, 15 cooperatives operate with a combination of paid and unpaid workers. However, when asked who made day to day decisions, 11 stated that these were made by coordinators, without further qualification. Therefore, it can only be assumed that the membership perceived that it had a low or non-existent level of involvement in day to day decision making.

Decision making structures in regard to policy areas contained clearer distinctions.

For clarity, areas of day to day decision making have been divided into four sub-sets:

- (i) Informal decision making structures, where whoever comes along is involved, suggesting high levels of member involvement in the day to day decision making process.

- (ii) Semi-formal decision making structures, where some responsibilities are allocated (albeit often on an ad hoc basis) or where rosters have been drawn up by those who attended previous meetings of the membership. It is assumed that decision making responsibilities are therefore in the hands of the active membership.
- (iii) More formalised decision making structures, where working parties or specific committees make day to day decisions. Although more formalised, the responsibility for day to day decisions rests with the active members.
- (iv) Formal decision making structures, where coordinators (paid or unpaid) and management make the day to day decisions without relevant input from the membership. In this situation, it is expected that member participation in day to day decision making would be low or non-existent.

Decision making structures in regard to areas of policy have been divided into three sub-sets:

- (i) Informal decision making structures, where all members who attend meetings may play a role in policy development.
- (ii) Semi-formal structures of decision making, where management committees, co-op committees, working parties and management teams make decisions on most areas of policy.
- (iii) Formal decision making structures, where decisions on policy are made by a board of directors elected at an annual general meeting.

The extent to which these sub-sets have some overlap is difficult to ascertain, although this would certainly occur. For convenience, however, they will be used as a point of entry to further discussion about the decision making structures within each classification of food cooperatives.

#### Collective Access Groups:

Informal structures of day to day decision making are the dominant form among the collective access groups. Of these, four cooperatives (100% of collective access groups) indicated that they operate fairly informally where day to day decisions are concerned. Two of the cooperatives have semi-formal structures

in so far as tasks are allocated, and the other includes whichever members attend meetings in the decision making process. Of the other 2 cooperatives, one involves all members present in decision making, and the other includes whoever volunteers.

Policy decisions within all four groups are made by whichever members attend meetings. There was no mention by these groups that any sort of committee structure exists.

#### Buying Groups:

Day to day decisions in four (44% of buying groups) of the nine buying groups are made by coordinators (paid and/or unpaid). As mentioned earlier, it is difficult to ascertain the relationship between the coordinators and general membership. However, it may be assumed that the general membership's role in day to day decision making would be reduced in varying degrees. Given that the survey responses indicated that the coordinators in these groups made the day to day decisions, they are therefore considered to operate on a more formal level of decision making on a day to day basis, with low or non-existent involvement of members.

Of the remaining five buying groups, three make day to day decisions on the basis of attendance -- everyone who is present is involved in the process. The other two buying groups operate on a semi-formal basis, where tasks are allocated and day to day decisions are made by whichever members attend meetings.

All of the buying groups indicated an informal structure existed for policy decision making, to the extent that all members who attend meetings may participate in policy decision making. No management committee structure appears to exist within any of these groups.

#### Community Cooperatives:

Of the 17 community cooperatives 14 (82% of community cooperatives) have informal or semi-formal decision making processes. Six cooperatives make day to day decisions on the basis of everyone present at the time and whoever volunteers their participation. Three have a roster for allocating tasks, and five indicated that some form of working party or management group exists.

The three remaining community cooperatives make day to day decisions on a more formal basis through the services of a coordinator (paid and/or unpaid). One of these cooperatives also stated that a roster system was also used, indicating some level of member participation in decision making. Previous comments made regarding the role of coordinators and their relationship to members again applies here.

Policy decisions within eight of the community cooperatives are made by all those who attend meetings. The remaining nine cooperatives indicated that a management committee structure exists where policy decisions are made.

#### Tertiary Institution Cooperatives:

Only one tertiary institution cooperative indicated that day to day decisions are made informally, by those members present at the time. Of the remaining five (83% of tertiary institution cooperatives), two stated that coordinators make the day to day decisions, two that managers do, and one that day to day decisions are made by management.

In contrast to this seemingly formal decision making process on a day to day basis, policy decision making processes tend to be less formally structured. Three (50% of tertiary institution cooperatives) indicated that policy decisions are made by all those present at meetings, with no committee structure existing. Two groups have a management committee structure for policy decision making, and one is more formally structured, with a board of directors elected at an annual general meeting.

#### Small Trading Cooperatives

All the small trading cooperatives have a day to day decision making structure which is stated to be the responsibility of a coordinator (2 cooperatives) or a manager (1 cooperative). This data indicates that 100% of small trading cooperatives in this study have a formal day to day decision making structure, with no small trading cooperative indicating other day to day decision making processes occurring alongside the existence of the coordinator or manager.

However, policy decision making processes are less structured, with 2 (66%) indicating that all members present at meetings are able to participate in policy decision making. One of the small trading cooperatives has a formal policy decision making structure, whereby a board of directors elected annually constitutes the policy decision making body. However, this cooperative also indicated that workers have representation on this board.

#### Traditional Trading Cooperatives:

The five traditional trading cooperatives (100% of traditional trading cooperatives) have formal decision making structures in regard to both day to day and policy decision making areas.

Management makes the day to day decisions, with a board of directors, elected at the annual general meeting, being responsible for policy decision making.

Some of these cooperatives have workers' meetings, however workers are not directly involved at board level.

#### 4.4 ISSUES AND CONCERNS

The food cooperatives have highlighted a number of problems and dilemmas relating to voluntary participation and decision making. They request that a resource centre for food cooperatives consider these concerns. Included amongst these concerns are:

##### 4.4.1 The industrial argument

The case against the use of unpaid labour relates to the argument that where work needs to be done, it should be paid for. In addition, volunteer or under award labour, it is argued, undermines the rights of workers' claims for improved pay and conditions.

Workers in an emerging cooperative, or a cooperative in financial difficulties, may choose to accept below award wages with the aim of enabling the cooperative to attain or regain financial viability. This situation may not, at this time, prove tolerable to the trade union movement, and may become a source of conflict with trade unions.



#### 4.4.2 Substitute for appropriate change and government responsibility

It is often argued that community managed services provide a cheap method for the government to shirk its responsibilities. This point is of particular relevance in relation to food cooperatives established for the primary purpose of providing cheap food for low income people.

"...compared to other forms of service delivery, community managed services are extremely cheap. This is primarily because voluntary work is regarded as a pre-condition and actually structured into funding formulas in such a way as to result in a huge shortfall in wages" (Social Research Evaluation Association: 11).

Self-help and community management may therefore be used by government as arguments for reduced financial support, and justify a laissez faire attitude to community well-being.

#### 4.4.3 Task achievement and group processes

Where the objectives of a group include the development of group and individual skills and personal growth, a tension often exists between the need to achieve the group's tasks, and the need to maintain and enhance the groups processes.

This relates particularly to notions of democratic control on the one hand, where problems exist with encouraging the fullest possible participation of the membership, and on the other hand, requiring efficiency to enhance economic viability.

#### 4.4.4 Individual and group needs

Given the relatively individualistic nature of western society, an inherent tension exists between individual and group needs.

Many groups and individuals are still in the very early stages of resolving this tension, and this presents a major factor in group conflict.

#### 4.4.5 Union participation

Only 20% of the paid workers in food cooperatives are known to be members of union. This represents a relatively low union membership, and requires further examination. This level of unionisation compares poorly with the Victorian State average of union membership of 54% (A.B.S., 1983).

The survey data provides little information on which to base a detailed examination of the reasons behind this phenomenon, but some ideas can be posited.

Unionism exists only within 4 cooperatives, and three of these operate with paid labour only. Of the other cooperatives employing paid workers, it may be assumed that some of these workers are also members of the cooperatives. Therefore, since members of cooperatives are partial owners and the traditional boss/worker relationship has been displaced, or at least redefined, the need for trade unionism is characteristically different within the cooperative structure.

A worker within a cooperative may identify more closely with other members of the cooperative than with workers in private enterprise performing similar tasks.

Another clue could emerge by a closer examination of the sources of funds used to provide wages for workers in food cooperatives. Discussions by study group workers with food cooperative groups indicate that several workers are funded through such government sources as E.I.P. and C.E.P., which leads to two possible factors influencing the low union membership. Firstly, the short-term nature of many funding sources makes union membership less likely. Secondly, the awards under which some of these cooperative workers are employed may have little relationship to the actual work performed, creating little relevance of union membership.

#### 4.4.6 Democratic control

All the cooperatives ascribe to the International Cooperative Alliance principle of democratic control.

This democratic control can include both that by members, through participation (consumer democracy), and workers, through involvement in the decision making (worker democracy).

Small cooperatives are best able to combine the interests of the worker and consumer. As the membership of a food co-op increases and the numbers of members become large in comparison to the number of workers, these interests are more difficult to combine.

Conflict can arise in unifying the interests of workers and consumers. There is a need to further research the possibilities of bringing the respective interests together.

#### 4.4.7 Cooperative structure: constraining factors

There are a variety of ways in which groups have organised for the purpose of purchasing and distributing foodstuffs.

Some exist purely to meet the needs of a small number of households to satisfy their mutual food needs (open access groups, buying groups) and are financially relatively autonomous. Others may be more beholden to assistance, either in cash grants or use of facilities from government or other agencies. Some may have extensive links with other organisations, while others may have no linkages outside their immediate locality. In terms of internal legal and structural arrangements, they may be incorporated (traditional trading cooperatives) or not; they may have a level of formality of operation, with rules and procedures, or they may be simple and informal networks for cooperation.

A further distinction is important to explore. Seventeen groups (39%) stated a need for financial assistance, whereas others do not feel a need for external financial aid. Therefore, there are groups which rarely make demands on resources external to the group and are basically self-satisfying.

Where groups do seek external resources, and when these resources are scarce (and which resources are not scarce?), they become resource-competing in character. This competition for resources has consequences for both inter and intra group functions and relationships.

Competition for resources between groups often results in a 'win' and 'lose' outcome, with the winners being those groups which have the resources (including skills, knowledge, confidence etc.) needed in the bargaining process.

"The inequality of resources with which to bargain available to different groups means that further resources will be usually gained by those groups who are already resource-rich. An imbalance therefore exists within and between groups in relation to bargaining power and the benefits and collective goods this attracts" (Hamilton-Smith and van Moorst, 1982: 10).

One of the difficulties for small informal groups is that, when they seek access to external resources, they are often required to become more formalised both in their manner of operation and their legal status. All too often small, informal groups are encouraged to become more formally structured than the groups either need or can cope with, and this may well detract from the benefits which being small and informal offer. Rather, such groups should be encouraged to formalise only when this cannot be avoided, and then only as far as it is absolutely necessary to achieve their objectives.

Government and other resource-allocating agencies should look to ways in which the resource needs of small and informal community groups can be made available without insisting upon unnecessary and overbearing formal structuring of the groups themselves.

Over-institutionalisation also grows out of what are currently perceived as legal problems in areas of accountability for funds, property, public safety, legal incorporation, member liability etc. As the law currently operates in many countries, food cooperatives and other community groups are forced towards formalisation in order to protect their members, and particularly their office-bearers.

4.4.8 Further comments

Given the nature of participation and decision making within various food cooperatives, several other issues are outlined below. It is recommended that these be further researched in the forum of a resource centre for food cooperatives.

- (i) Participation vis-a-vis the aims and objectives of food cooperatives.
- (ii) Participation as a pre-condition for the successful operation of some food cooperatives.
- (iii) Participation as an impractical activity which may hinder the cooperative's efficiency and economic viability.
- (iv) Difficulties faced by food cooperatives requiring participation in order to successfully operate, but where participation levels are low.
- (v) Resourcing of voluntary participation in terms of planning and management skills, information, group processes, business expertise and other skill and knowledge areas.
- (vi) What is the affect of participation on decison making, democratic control and empowerment?
- (vii) What is the affect of cooperative size on principles of participation and democratic control?

Other dilemmas need to be investigated regarding the relationships and tensions between

Service delivery.....	Self help
Task achievement.....	Process
Institutional/bureaucratic management.....	Participant/non-bureaucratic management
Efficiency.....	Participation
Personal needs.....	Group needs
Short term goals.....	Long term goals
Expert 'right' decisions.....	Participant 'wrong' decisions
Volunteerism.....	Pay for work
Economic viability.....	Democratic control
Large scale market power.....	Small scale people power

These dilemmas do not necessarily represent a 'right' or 'wrong' approach, but highlight the complex nature of the issues involved, and illustrate several inherent tensions which exist.

It has been argued that participation, at least in the short term, is inefficient, costly, time consuming and uncertain. There is certainly some truth in this argument, and this may cause a basic tension within cooperatives.

The approach taken must be related to what is to be achieved -- the members aims and objectives -- as well as relating to the skills, expectations and needs of the members.

5. SUPPLY AND PRICING OF FOOD WITHIN COOPERATIVES

5.1 REPORT OF THE EXISTING WHOLESALE SUPPLY SYSTEM OF FOOD COOPERATIVES

- 5.1.1 Where cooperatives purchase
- 5.1.2 Why cooperatives use their current supplier
- 5.1.3 Payment arrangements
- 5.1.4 Problems with current supply system

5.2 THE PRICING OF FOODSTUFFS

5.3 THE MARKUP ON FOOD ITEMS IN FOOD COOPERATIVES

- 5.3.1 Definitions and interpretations
- 5.3.2 The influences on markup
- 5.3.3 Analysis of questionnaire data
- 5.3.4 Conclusion

5. SUPPLY AND PRICING OF FOOD WITHIN COOPERATIVES

5.1 REPORT OF THE EXISTING WHOLESALE SUPPLY SYSTEM OF FOOD COOPERATIVES

Five questions were asked in this section of the questionnaire. These were to identify where co-ops currently purchase, the type of food they sell, the financial arrangements with these suppliers, why they use the suppliers and what problems they have. Further information was gained during the interviews with cooperatives. The data presented in tables 20 - 23 will be examined further in relation to co-op type and co-op revenue contribution in the feasibility study into the collective purchasing and distribution options for food co-ops.

Co-ops have developed a purchasing system which meets their immediate needs; but inherent in it are a number of frustrations and inefficiencies. A lot of time is spent ensuring a supply of food at the cheapest possible prices. In some groups purchasing is done collectively, in others it's the responsibility of a few. One co-op, having recently been refused supply by a wholesaler they have dealt with for a long time, is now purchasing from another co-op as an interim measure. Food Co-op Support Group meetings are a venue where much sharing of purchasing experience has occurred. The study group has also made suggestions to individual cooperatives.



### 5.1.1 Where cooperatives purchase

Table 20: Sources of supply

Supplier	Often		Sometimes		Never		Total	
	No.	%	No.	%	No.	%	No.	%
Producer &/or manufacturer	25	57	9	20	10	23	44	100
Importer	6	14	8	18	30	68	44	100
Market &/or wholesaler	39	88	3	7	2	5	44	100
Other co-ops	10	23	8	18	26	59	44	100
Health shops &/or s'market	10	23	14	32	20	45	44	100

Respondents: 44

Total sample: 44

Forty-two (95%) co-ops purchase often or sometimes from a wholesaler and/or a wholesale or retail market (e.g. Footscray or Victoria market). The two (5%) co-ops that never purchase from these buy from other co-ops for convenience and due to their small size. Volume of sales determine what type of wholesaler a cooperative has access to and at what prices it can buy its food. Traditional trading cooperatives purchase from wholesalers such as Composite Buyers, Foodland. Within these a buyer is positioned depending on their weekly sales and the services available in the cooperative store, e.g. a delicatessen. Smaller co-ops can buy from smaller wholesalers, e.g. Ceres, Renshaw, but do not have access to the cheaper prices offered to the larger cooperatives. Some wholesalers do offer damaged goods (e.g. dented cans) to co-ops at low prices. Most cooperatives feel that all people have a right to reasonable quality foodstuffs and they are reluctant to obtain cheaper food in this way.

A number of co-ops seek supply from the producer or manufacturer - a step back up the food distribution chain from the wholesaler. This is an attempt to gain access to cheaper, fresher food; to exercise more control over their purchases and to minimise the number of times food is handled. In this way they short circuit the food distribution chain. Some co-ops are nurturing a close liaison with growers and producers, and developing contracts with them to supply the co-op's needs. For example, one co-op has a contract with a lettuce grower to supply the co-op. This active encouragement of bringing the consumer and producer closer together is an objective for some groups. Eighteen co-ops often or sometimes purchase from other cooperatives. In some of these instances larger, more established cooperatives wish to support the development of the smaller ones.

The 24 co-ops (55%) that buy often or sometimes from health food stores and from supermarkets are the collective access groups (4), the buying groups (4), the small trading co-ops (2), tertiary co-ops (1) and community co-ops (13). The collective access groups frequently bulk purchase in association with the health food stores for their mutual benefit. These co-ops do this when they cannot obtain access to wholesalers for their foodstuff. The community co-ops buy specials at supermarkets. These are frequently in-store 'loss leaders' i.e. are being specialised at below cost prices and so are available cheaper than through wholesalers. The small trading co-ops sometimes purchase from a healthfood store when they cannot locate a supplier who will supply a particular foodstuff in the required quantity (herbal teas, yeast and flour are examples of this for one co-op). Many of the 20 co-ops who never purchase from these retail outlets stress a dislike of packaging and of supermarket chains, and state that health food stores are excessively expensive. The co-ops that use supermarkets all stock processed foods and are situated in the city. The type of supplier a cooperative has access to influences the mark up a cooperative can use. For a discussion of these influences see section 5.2.2.

5.1.2 Why groups purchase from their current supplier

This question asked co-ops to respond to 7 possible reasons why they use their current suppliers.

Table 21: Reasons for using current suppliers

Reasons for using supplier	Frequency
Cheapest supplier accessible	33
Supplier prepared to deal with group	26
Supplier delivers	20
Supplier sells appropriate quantities	25
Willingness to supply on credit	12
Willingness to give bulk discounts	16
Loyalty to supplier (includes trust)	7

Respondents: 44

Total sample: 44

Some co-ops have responded to more than one category.

Some co-ops stated other reasons for use of their current suppliers. They stress the importance of good quality food, the willingness of some suppliers to exchange or give credit for contaminated food, and the availability of specialist items (e.g. organic and biodynamic foods). The locality of the supplier is also important, mainly because of the poor delivery systems experienced by cooperatives. The desire to be in close proximity of their suppliers means pick-up is a relatively straightforward exercise. The method of delivery to cooperatives needs to be addressed when considering a warehouse for cooperatives.

### 5.1.3 Payment arrangements with suppliers

This question asked what arrangements the cooperatives have with suppliers to pay for their goods.

Table 22: Payment arrangements

Payment arrangement	Frequency
Cash or cheque at time of purchase	35
On receipt of an account	23
By regular monthly statement	12

Respondents: 44

Total sample: 44

Some co-ops have responded to more than one category.

### 5.1.4 Problems with current supply system

This question suggested 6 problem areas co-ops may have with their supply system and asked for a response. Other comments were sought in the questionnaire and during discussions with the cooperatives.

Table 43: Supply problems

Types of problems	Frequency
Items not available in required amounts	17
Transport/delivery	19
Food prices not very cheap	13
Supplier refuses to supply	12
Insistence on cash with purchase	6
Other problems	12

Responses: 44

Total sample: 44

Some co-ops have responded to more than one category.

Nineteen co-ops (43%) have problems with the transport/delivery of the goods they purchase. These problems include the cost of freight, especially for country co-ops; the unreliable nature of delivery to co-ops. One group says, "deliveries (were) made at inappropriate times, not as arranged". Twelve groups have indicated that the supplier refused to deliver. Co-ops have responded to these problems in the following ways: finding suppliers who will deliver, establishing a delivery point that is acceptable to the supplier (e.g. a school, not a home), arranging to collect their own supplies. Cooperatives are not necessarily happy with these solutions in a long-term sense.

One felt that some food items are not available in the desired quantities. Supplier refers to specialist items (e.g. organic produce) and also to more exotic items. The majority of co-ops prefer to buy in bulk, to either encourage themselves or so customers can purchase the exact quantities they require. One group states, "some items required in bulk are not available in bulk".

Thirteen co-ops are especially concerned with the unavailability of cheap food. "Wholesale groceries aren't cheap".

Six groups indicate that paying cash at the time of purchase is a problem. This can result in a multi-faceted ordering system for the cooperative. Initially a phone order needs to be placed. From this prices are checked, then a written order enclosing payment must be forwarded by mail. Groups would prefer to have an account with suppliers. Groups find that suppliers prices fluctuate frequently.

Concern is also expressed at the attitude of suppliers to cooperatives. "Reluctant cooperation" and "apathy of suppliers" is mentioned. There is a desire for a wholesaler who is sympathetic and supportive of cooperative operations. A number of groups state that some items are not available regularly. It is the case that their suppliers are frequently out of stock. The variable quality of the food supplied is also a problem.

The amount of time each co-op puts into ensuring a supply of food is considerable. The co-ops have shared their knowledge on purchasing to some extent.

A popular response in discussion with the food co-ops on their current supply systems is summarised by one group: "It could be much better, but we have a smooth supply system". Groups responding 'no' to this question often acknowledge that they have resolved the immediate difficulties but are continually looking to improve their system.

The food cooperatives have addressed the problems of supply/purchase to the extent they can. Without a greater level of supply resources being available to cooperatives they will always have difficulty.

#### 5.1.5 Definitions of types of food sold by cooperatives

##### (i) Wholefoods (2 co-ops)

Foods are minimally processed. They include legumes, e.g. lentils, dried beans; grains, e.g. whole wheat, barley, flour (wholemeal); nuts; seeds; honey; eggs; tahini; fruit juice; tamari; dried fruits, e.g. apricots, apples. Often these are minimally packaged and purchased in bulk.

##### (ii) Processed (9 co-ops)

The emphasis in these co-ops are with packaged and processed food. They include biscuits; canned food; confectionary; sugar; flour; honey; dried fruits; nuts; beverages; eggs; soya sauce; salt; legumes; nuts and seeds.

(iii) Fruit and vegetables (3 co-ops)

Three co-ops stock only fruit and vegetables. Two of these prefer organically and biodynamically grown produce. Organic and biodynamic methods of farming do not involve the use of artificial sprays and fertilisers. All provide a diverse range of items.

(iv) Combinations (11 co-ops)

Five co-ops sell both fruit and vegetables and processed food. Two co-ops sell fruit and vegetables and wholefoods, four co-ops sell both processed and wholefoods.

## 5.2 THE PRICING OF FOODSTUFFS WITHIN FOOD COOPERATIVES

Question C5 in the questionnaire asked if co-ops have different prices for members, workers or volunteers. The responses are outlined in Table 24 below.

Table 24: Pricing systems

Pricing system	No. of Co-ops
Prices the same for everyone	33
Prices differ for members, active members, non-members, volunteers	7
No pricing of foodstuffs	4
Total	44

Thirty-three (75%) of co-ops indicate they price their food items at the same rate for everyone. Nineteen (58%) of these sell only to their members. Eleven (33%) sell to everyone. Eight of these 11 are community cooperatives. Three co-ops sell to everyone but do have rebates for members of any trading surplus. Some of the traditional cooperatives have weekly member only specials. During discussions with co-ops a number expressed an interest in a differential pricing structure for members and non-members. One reason given for this was to encourage membership.

The 7 co-ops which do have a differential pricing system include all three small trading co-ops, 3 tertiary institution co-ops and one traditional co-op. three of these co-ops offer discounts to active members on their food purchases. In 2 co-ops non-members pay extra and in another 2, there are three different prices offered for active members, members and non-members.

### 5.3 THE MARKUP ON FOOD ITEMS IN FOOD COOEPRATIVES

#### 5.3.1 Definition and interpretation

The markup on a food item is the difference between its cost and its selling price. The cost is the amount paid to the supplier and may also include delivery and other charges by the supplier.

Generally the price is based on a percentage markup over the cost of the goods, thus generating funds to pay the other costs of operating the co-op.

Co-ops were asked how they price their food. The co-ops have indicated the following:

- (i) at cost of acquisition;
- (ii) a percentage calculated directly on the amount paid for the item;
- (iii) a percentage calculated on cost plus the amount paid for freight, insurances.

It cannot be determined from questionnaire data which of these methods is used by each cooperative. This should be taken into account when considering the percentage markup which cooperatives have reported.

#### 5.3.2. The influences on markup

In Australia, the markup on food items at a retail level varies. This variation depends on a number of factors including where the retailer purchases, the type of food and its packaging, and the type of retail business selling the food.



The food cooperatives in the study display a similar variation in their markup. Forty (91%) of the co-ops state that the provision of food as cheaply as possible is the main objective. The markup a co-op chooses is influenced by many factors. These include:

- \* the price for which food can be purchased by the co-op (13 groups state that they have difficulty obtaining food cheaply);
- \* the policy of the co-op, i.e. to be non-profit;
- \* the financial demands on the co-op, that is, whether it is having its costs subsidized in any way or whether it needs to finance all its operating costs;
- \* the extent of member participation;
- \* attitude to packaging;
- \* quantity and type of food sold.

Assessing markup by food type, it can be stated that generally, fruit and vegetables allow food co-ops a markup of at least 50% above wholesale. This will still allow prices that are very competitive with other retailers. Wholefood lines carry excessive markups in healthfood stores. As a consequence a markup of up to 50% in food co-ops provides food at considerably lower prices than is currently available elsewhere. Food cooperatives mark up processed foods to a more limited extent. They state that processed foods cannot be purchased cheaply enough to permit a markup of more than 20% and still be able to offer prices competitive with other retailers.

### 5.3.3 Analysis of questionnaire data

Four cooperatives do not have a mark up system because they have no pricing structure for their food items. Five co-ops pass on the food at cost, with the members directly paying any operational costs. One co-op has a mark up policy which averages out to mean zero mark up over all the food items. Thirteen co-ops (30%) have mark ups between 1% and 5% on the wholesale price. These are all community co-ops and buying groups. Eight community co-ops and buying groups have mark ups between 10% and 23%.

The traditional trading co-ops, all five of which sell predominantly processed food and some fruit and vegetables, mark up between 11% and 26%. The volume of their purchases and the type of food they are selling influences this mark up.

The small trading cooperatives sell wholefoods and fruit and vegetables. They have mark ups ranging from 30% to 50%.

There is a 10% to 50% mark up on food items in tertiary institution cooperatives.

The feasibility study of the collective purchasing and distribution options for food co-ops will consider more specifically markup in relation to food types.

#### 5.3.4. Conclusion

It can be argued that if the co-ops, especially the smaller ones, were able to purchase food more cheaply by combining their buying capacity, it would permit them to be more flexible with their markup systems. In many instances their mark up is dictated by the prices in the wider food market industry. If co-ops had the option to increase mark up and still have food priced competitively, it would facilitate the economic viability of existing co-ops and ensure their survival.

Twenty-one co-ops indicated that they wanted to operate as financially self-sustaining units. In order to do this funds need to be generated internally from the sale of goods. Therefore, any assistance provided which would maximise the generation of internal funds, would reduce dependence on external financial resources.

6.        NEEDS

6.1       INTRODUCTION

6.2       FINANCES

6.2.1    Access

6.2.2    Preferred source

6.3       PROBLEM AREAS

6.3.1    Financial and organisational

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6.4       SUPPORT OPTION PREFERENCES

6.4.1    Background

6.4.2    Discussion of option preferences

6.5       FURTHER NEEDS IDENTIFICATION

6.6       OVERVIEW

## 6. NEEDS

### 6.1 INTRODUCTION

The aim of this section of the report is to ascertain the perceived resource needs of the cooperatives.

It is important to realize that identification of one particular problem or need area can mean different things for individual cooperatives, viz. a problem with organisation and planning for a traditional trading cooperative may indicate difficulty with long term planning. For a community co-op, however, the need may refer to problems with the establishment and maintenance of a weekly roster.

Of the total sample of 44 cooperatives, 3 did not respond at all to the question. Many of the remaining groups did not respond to all of the problem areas listed in the question. These are all recorded in the 'nil response' category of each area.

### 6.2 FINANCES

#### 6.2.1 Access

Question K1 asked if the cooperative required access to finance. Respondents indicated yes or no to this question.

Table 25: Access to finance

Access wanted to finance	%	Access not wanted	%	Nil response	%	Total
No. of co-ops		No. of co-ops		No. of co-ops		No. co-op
17	39	26	59	1	2	44

Respondents 43

Total sample 44

Collective access & buying groups 13

Of the total sample, 39% of the co-ops indicate they require access to finance. However, no collective access or buying groups require external finance. Fifty-seven percent (57%) of co-ops required access to finance if these groups are excluded.

#### 6.2.2 Preferred source of finance

Question K2 asked where co-ops would prefer to obtain finance. This was answered irrespective of whether co-ops currently require access to finance. The responses are tabled below.

Table 26: Preferred sources of finance

Preferred source of finance	No. of co-ops
Government grant/loan	12
Banks	2
Credit cooperative	4
Central co-op bank (were it established)	14
Internal funds	21
Other	9

Respondents 35

Total sample 44

Notes: (i) Four co-ops indicated a preference for grants.

(ii) Most groups expressed more than one preference.

#### Government Funds

Twelve (34%) of the co-ops indicated a preference for government funds. Nine of these 12 are community groups. These require funds to cover costs such as the purchase of equipment, refurbishing premises to health department standards, initial stock. These groups provide food for low income families. Some, although in establishment phase, are meeting social and economic

objectives which are of importance to the community. Some direct funding to these groups for specific areas of need would greatly assist these important cooperative initiatives.

#### Central Cooperative Bank

Fourteen groups (33%) expressed an interest in a cooperative bank were this established. This suggests that food cooperatives prefer a central finance facility which promotes the principles of cooperatives and supports their interests and is sensitive to their particular financing.

#### Internal Funds

Twenty-one (48%) of all food cooperatives prefer their own membership finance and surplus. This stress on independence and striving toward strong economic viability is characteristic of all small trading co-ops. Forty-seven percent (47%) of the community co-ops prefer their own funds, as do 3 of the 5 traditional trading cooperatives.

#### Other

Nine groups preferred finance through Benevolent Trusts or Tertiary Education Student Union subsidy.

### 6.3 PROBLEM AREAS

Question K3 identified 18 areas of cooperative functioning and asked if co-ops had any problems or difficulties with these areas. Responses are set out in individual tables for each of the 18 areas. Discussion follows each table. The purpose of this question was to gain a general perspective on a large number of possible problem areas. Space was not provided for extensive comments.

### 6.3.1 Financial and Organisational

Table 27: Financial management

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
15	34	23	52	6	14	44

Table 28: Accounting

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
12	27	24	55	8	18	44

The traditional and the tertiary cooperatives have professional book keepers. This minimises the problem of management of their finances. Small trading co-ops seek advice outside the paid staff. Two seek advice from within their membership; one pays a consultant. Community, buying and collective access groups have less detailed accounting procedures but need advice in setting up systems that are appropriate and advice in maintaining and understanding these systems.

Table 29: Management skills

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
23	52	18	41	3	7	44

- \* Traditional trading co-ops 2 out of 5
- \* Community cooperative groups 11 out of 17
- \* Tertiary education cooperatives 5 out of 6
- \* Small trading co-ops 2 out of 3

Management skills are a problem area for community, tertiary, and small trading cooperatives in particular. Collective access groups and buying groups have minimal management structures. The small trading co-ops identify particular problems with setting up systems e.g. for purchasing, and see a lack of skills for long range planning.

Table 30: Organisation and planning

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
24	55	14	32	6	13	44

- \* Traditional trading co-ops 3 out of 5
- \* Community cooperative groups 10 out of 17
- \* Tertiary education co-ops 4 out of 6
- \* Small trading co-ops 3 out of 3
- \* Collective access groups 2 out of 4

Organisation and planning is a significant problem for 5 of the 6 classifications of food cooperatives. It is important to note that when a traditional trading co-op refers to problems in this area it may refer to long term forward planning and projection. For the other groups problems in planning are to do with day to day organizing e.g. rosters, and short term planning.

#### 6.3.2 Legal and Premises

Table 31: Registration

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
7	16	27	61	10	23	44

Few saw this as a problem area, however many groups indicate elsewhere a need for further information about the Registrar of Cooperatives.



Table 32: Insurances

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
8	18	29	66	7	16	44

There is some need for more information about necessary insurances for co-ops and information concerning where best premiums may be obtained, e.g. public liability insurance.

Table 33: Premises

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
17	39	19	43	8	18	44

- \* Community co-ops 7 out of 17
- \* Tertiary education co-ops 5 out of 6
- \* Collective access groups 2 out of 4
- \* Small trading co-ops 2 out of 3

Forty-one percent (41%) of community co-ops have problems with their premises. Some are waiting on council premises to become available. Others have problems bringing their premises up to the health department standards. Some small trading co-ops and a number of community co-ops have a need for more space with their expanding sales volumes.

### 6.3.3 The Cooperative Process

Table 34: Cooperative principles and practice

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
18	41	19	43	7	16	44

- \* Traditional trading co-ops 2 out of 5
- \* Community cooperatives 7 out of 17
- \* Buying groups 3 out of 9

Cooperation between cooperatives, open membership, democratic control and cooperative education and the financial arrangements of cooperatives are discussed elsewhere in this report.

Cooperatives are set up to meet varied social and financial objectives. Cooperative principles and practice therefore, are adapted to meet these differing objectives.

Table 35: Policy formulation

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
14	32	20	45	10	23	44

- \* Traditional trading co-ops 3 out of 5
- \* Tertiary education co-ops 3 out of 6
- \* Small trading co-ops 2 out of 3

Table 36: Decision making

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
17	39	21	48	6	13	44

- \* Traditional trading co-ops 2 out of 5
- \* Tertiary education co-ops 4 out of 6
- \* Small trading co-ops 3 out of 3

This question may be taken to ask "can we make decisions ?" or "how, and how well do we make decisions ?", and may consequently have been answered according to these different concerns. The small trading co-ops value member participation and democratic decision making. However, they are concerned that often decisions are made by a few and are thus not necessarily representative of the wider membership. The implementation and follow up of these decisions can be a problem when the wider group have not been involved in the decision-making process.

Table 37: Conflict resolution

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
15	34	21	48	8	18	44

Table 38: Meeting procedure

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
10	23	24	54	10	23	44

The cooperatives have evolved meeting procedures which reflect their individual structures. These range from formal board meetings of the traditional registered co-ops to the minute-taking meetings of community groups to the informal meetings of the buying groups. Some groups require help in making their current procedures more appropriate to their structure.

Table 39: Publicity/promotion

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
14	32	22	50	8	18	44

These groups indicated a need for promotional work, but lack of resources (finances, skills, etc.) to do so. The publicity required is two-fold: to encourage membership and to create a community awareness of cooperation.

#### 6.3.4 Workers

Table 40: Volunteers

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
19	43	18	41	7	16	44

- \* Community co-op groups 9 out of 17
- \* Tertiary education co-ops 5 out of 6
- \* Collective access groups 2 out of 4
- \* Small trading co-ops 2 out of 3

All these groups place great importance on the participatory nature of their cooperatives. They believe this enhances the nature of their cooperatives and contributes to the development of 'community' in their localities. Volunteers are for the majority of these groups also an intrinsic part of their striving for, or maintenance of economic viability. As indicated in the previous section on decision making structures, the ideals regarding member participation, and the actual realising of those ideals, are not always in concurrence.

Groups have problems with:

- (a) insufficient volunteers
- (b) need for more training of volunteers in skills
- (c) need for greater cooperative practice education.

There is a need to create greater awareness within the general co-op membership and community of the benefits of participation in the cooperative.

Table 41: Staff selection

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
6	14	26	59	12	27	44

Thirteen groups have direct responsibility for their staff selection. Some other community groups have staff who are not directly employed by the cooperative.

#### 4.3.5 Supply

Table 42: Supply/purchasing

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
22	50	12	27	10	23	44

- \* Traditional trading co-ops 3 out of 5
- \* Community cooperatives 7 out of 17
- \* Tertiary education co-ops 3 out of 6
- \* Collective access groups 3 out of 4
- \* Small trading co-ops 3 out of 3
- \* Buying groups 4 out of 9

Supply/purchase is a problem area for all of the 6 classifications of food cooperatives. See section 5 for further discussion.

Table 43: Distribution/delivery

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
15	34	19	43	10	23	44

Table 44: Transport

Identified as problem No. of co-ops	%	No problem No. co-ops	%	Nil response	%	Total
18	41	16	36	10	23	44

- \* Traditional trading co-ops 2 out of 5
- \* Community co-ops 7 out of 17
- \* Small trading co-ops 3 out of 3

There is considerable overlap between the problems of supply/purchase, distribution/delivery and transport.

The transport problems are increased for country cooperatives. For smaller co-ops problems are often related to the size of their orders, suppliers being unwilling to accept credit arrangements and an unwillingness to deliver.

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### 6.3.6 Summary

Table 45: Major identified problem areas

Problem identified	Yes %	No %	No response %	Total %
Organisation & planning	55	32	13	100
Management skills	52	41	7	100
Supply/purchase	50	27	23	100
Volunteers	43	41	16	100
Transport	41	36	23	100
Co-op principles & practice	41	43	16	100
Premises	39	43	18	100
Decision making	39	48	13	100
Distribution/delivery	34	43	23	100
Financial management	34	52	14	100
Conflict resolution	34	48	18	100
Policy formulation	32	45	23	100
Publicity/promotion	32	50	18	100
Accounting	27	55	18	100
Meeting procedure	23	54	23	100
Insurance	18	66	16	100
Registration	16	61	23	100
Staff selection	14	59	27	100

Note: (i) Problem areas are ranked in descending order;  
(ii) Percentages are based on the number of cooperatives.

#### 6.4 SUPPORT OPTION PREFERENCES

Question K4 outlined six proposals for assisting the food cooperative movement. Respondents were asked which they would support.

Table 46: Support options

Type of support service	No. of co-ops	% of co-ops
Cooperative warehouse	34	77
Cooperative bank	24	55
Information centre	35	80
Packaging system	14	32
Information kits	29	66
Workshops of food cooperatives	27	61

Respondents: 40

Total sample: 44

Note: Most groups expressed more than one preference

##### 6.4.1 Background

Considerable discussion of resource needs for food cooperatives has taken place at Food Cooperative Support Group meetings over the past 18 months. This group has a membership of 30 food cooperatives. Additionally the resource options of the type surveyed in this question have been of great interest to the groups visited by the study group in recent months. Six support options were canvassed with the total sample of 44 groups in the questionnaire. There were 40 responses to this question.



#### 4.4.2 Discussion of option preferences

##### (i) Cooperative warehouse:

Support for the warehouse came from the following groups:

- \* Small trading cooperatives 3 (100%)
- \* Traditional trading co-ops 3 out of 5 (60%)
- \* Tertiary co-ops 3 out of 6 (50%)
- \* Community co-ops 15 out of 17 (88%)
- \* Collective access groups 4 (100%)
- \* Buying groups 6 out of 9 (77%)

Fifty percent (50%) of all groups have indicated a problem with their supply/purchasing. Seventy-seven percent (77%) of all groups support the option of the development of a cooperative warehouse system to meet this supply need. A further 41% of all groups identified problems with transport for supplies. Various options for the collective purchase and distribution of food will be assessed in a separate feasibility study to be carried out by the Victorian Food Cooperative Study Group.

##### Information centre:

Eighty percent (80%) of all groups support the formation of an information centre. Sixty-six percent (66%) of all groups support the development of information kits about food cooperatives. A further 61% of groups support the option of workshops.

These related needs could all be serviced through an information resource centre for food cooperatives. Again, as with a warehouse facility, the formation of an information centre would enhance the functioning of currently existing food cooperatives and facilitate the development of more food co-ops in Victoria.

##### (ii) Technical support service:

A further option, though not specifically canvassed by this question, would seem to be the development of a service to meet the technical problems food cooperatives experience. These needs were expressed in the section 'Problem Areas' (K1). They are:

- (a) Organisation and planning  
55% of groups identified a problem
- (b) Management skills  
52% of all groups identified a problem
- (c) Financial management  
34% of all groups identified a problem.

#### 6.5 FURTHER NEEDS IDENTIFICATION

Question K5 asked groups to make comments or suggestions about means which could assist their development. Twelve responses were given. This low response rate might suggest that most groups felt their needs had been highlighted in the previous sections on needs.

Most responses gave emphasis and support to areas of greatest need noted in questions K3 and K4. Their responses are summarized below.

Three groups called for the development of a food co-op network facilitated through a resource centre and newsletter. They felt greater communication between co-ops would enable groups to develop better supply and resource information and address common problems and share information etc. One group identified a need to educate the community about the benefits of food co-ops. This educational role could be promoted through a resource centre.

Operational problems were identified by several groups. Two emphasised the need for affordable administrative and accountancy consultants. These groups note that their scales of operation and budget do not enable them to employ people with these skills.

Another group suggested that health regulations make it difficult for some small scale cooperatives to operate. The co-op noted that it knew of a group who had been unable to set up due to health regulation demands. It was pointed out that to be small scale, is a disadvantage when dealing with regulations. Some small groups operate less openly than they would wish because they have problems meeting health regulations.

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Other suggestions were:

Government could provide access to government owned and currently unoccupied buildings for establishing co-ops. Government could encourage the development of community and cooperative gardens. Food cooperatives could act as outlets for their produce, fulfilling many co-ops' objectives of bringing closer together producer and consumer, and giving people greater control over food production.

#### 6.6 OVERVIEW

The final question invited groups to evaluate the questionnaire and to make any further comment. Of the total sample of 44, there were 9 responses and 35 nil responses.

Responses ranged from co-ops inviting the study group to visit for discussion, to a comment that the questionnaire was vague and too academic. One group reiterated its concern that close government scrutiny of food cooperatives may lead to the imposition of regulations that could put them out of business. There was also concern that the rise of food co-ops could lead to formation of a supermarket lobby which would work against the cooperative movement. Another comment stressed that cooperatives must fill a genuine need and that where this was so, co-ops could offer a means to assist people to a better way of life, reducing the cost of living and increasing living standards.

## 7. FINANCIAL REPORT ON FOOD COOPERATIVES

### 7.1 INTRODUCTION

### 7.2 FINANCIAL ASPECTS OF OPERATIONS

### 7.3 CONCEPTS OF VIABILITY

#### 7.3.1 Preamble

#### 7.3.2 Consistency of objectives

#### 7.3.3 Financial and economic viability

#### 7.3.4 Viability measures and methods of assessment

### 7.4 DATA COLLECTION

### 7.5 VIABILITY ANALYSIS

#### 7.5.1 Current financial position

#### 7.5.2 Future prospects and viability

## 7. FINANCIAL REPORT ON FOOD COOPERATIVES

### 7.1 INTRODUCTION

The aim of this section of the report is to assess the current and prospective financial position of existing food cooperatives. This is essential for the discussion of the viability of food cooperatives, one of the key terms of reference for the study.

Many of the issues relating to the discussion of the viability of food cooperatives are relevant to the question of the viability of cooperatives in general. In this report, all these considerations will be addressed and the specific food issues will be placed in the broader context. The emphasis will be on the differences between cooperative and non-cooperative food retailers rather than between food and other cooperatives.

The determination of the viability of cooperatives, whether they be food or otherwise is complicated by the fact that generally they have explicit non-financial objectives. Examples of these objectives are mentioned in the section 4.8 of the report. Although their significance varies amongst food cooperatives, the objectives necessarily enter into any discussion of viability. The central question for many is how, as an alternative form of business organisation, both the financial and non-financial objectives can be achieved simultaneously.

The next two sections discuss the special aspects of cooperative finances and the various concepts of viability which might be employed in the analysis. Section 7.4 describes the data collection procedure. The analysis is presented in section 7.5.

## 7.2 FINANCIAL ASPECTS OF OPERATIONS

In this section we discuss the special features of food cooperatives which distinguish their financial objectives and financially related procedures.

As is frequently mentioned in this study the food cooperatives all have some similar and some dissimilar financial structures and practices. Some are large and very similar to the conventional supermarket (eg. traditional trading cooperatives); others are small and target a specific product market, such as wholefoods; still others service a particular socio-economic group (eg. community cooperatives).

The large co-ops tend to place more emphasis on their economic efficiency and thus have well developed financial systems of operation and control. This is necessary for competitive reasons since large co-ops emphasise the goal of financial benefits to members. On the other hand, the smaller co-ops may be in a less directly competitive position with other suppliers; a tertiary institution co-op has somewhat of a captive market and a wholefoods cooperative may be the only supply source for particular products. These small cooperatives can afford to place less emphasis on economic efficiency goals. The collective access and buying groups have minimal requirements for financial management because they invariably have negligible non-food costs. Furthermore they generally collect the payment for food (sales revenue) from members before actually purchasing the goods.

All the cooperatives rely on revenue from sales and/or membership subscriptions. In many cases the membership fee is treated simply as income rather than (refundable) equity. In the small groups the income from fees can nevertheless be a significant source of funds relative to that received from the markup on food.

The nature of operating costs is often a major feature which differs amongst food co-operatives. The traditional trading cooperatives incur and are generally required to meet all the operating costs from sales revenue. Many of the others, however, either do not incur the typical full range of costs or they incur them but do not (presently) meet the costs from revenue. A group which pre-orders foods and carries no stock has no need of premises and is an example of the former; a community food co-op group which uses premises provided rent free is an example of the latter. The treatment of these costs is an important issue in the later discussion of viability.

Advertising costs are often less significant for food cooperatives. The focus on expansion through new product development means that a conventional food retailer must budget for additional expenditure on advertising and equipment. Some traditional food co-ops are linked to this food retailing approach. The majority, however, are more concerned with selling staple wholefoods and unpackaged foods. So they generally take a less aggressive promotional stance, and have smaller advertising budgets.

Finally, the main distinguishing feature of food co-ops is their professed adherence to so-called non-economic objectives, such as community education, participation and non-hierarchical decision-making. With the exception of the traditional trading co-ops, cooperatives contacted in this study were demonstrably more oriented towards these non-financial goals. Nevertheless, it is generally recognised that a central issue here is whether such non-financial objectives are necessarily at the expense of the financial prospects of cooperatives. This matter is taken up in the next section.

### 7.3 CONCEPTS OF VIABILITY

#### 7.3.1 Preamble

Viability is essentially an issue of survival. This is the case for any business organisation and it is no less relevant for food cooperatives. The concept of survival is itself, of course, open to interpretation. In discussing survival, it needs to be seen in the context of the objectives and operating principles of cooperatives.

As is mentioned earlier in this financial report, cooperatives inherently espouse non-financial as well as financial objectives. An objective evaluation of cooperative viability therefore presumes a benchmark of internal guidelines which govern their operation. In comparison, viability for a non-cooperative enterprise generally concerns strict financial goals within the legal and other external constraints under which they operate.

The most general available set of guidelines for cooperatives are the principles laid down by the International Cooperative Alliance. They are

- (i) Open Membership
- (ii) Democratic Control
- (iii) Limited Interest on Share Capital
- (iv) Equitable Distribution of Surplus
- (v) Cooperative Education
- (vi) Cooperation between cooperatives

A detailed explanation of the International Cooperative Alliance principles appears in Appendix 2 and the list of food cooperatives' principles and objectives is outlined above in section 4.3.

For the purposes of assessing viability, it is the degree to which a food cooperative is meeting or has the potential to meet its stated objectives which is crucial.

#### 7.3.2 Consistency of objectives

Having established the non-financial objectives of food cooperatives, the next step is to understand their interrelationship with the financial objectives.

For many of the non-financial objectives it is conceivable, though perhaps impracticable, to place a monetary value on their achievement; either in loss of sales or in additional operating costs. For example, a cooperative which shuns 'high-powered' advertising may, in the short-term at least, lose sales. Alternatively, the involvement of workers and members in participatory decision-making may end up losing sales and increasing unit wage costs. However, this may not always be the case, as there may be long-term benefits by way of the improved motivation and efficiency which can ensue from this form of democratic control.

In the case where there are real costs to achieving the non-financial objectives, it is useful to distinguish between three possible situations. Firstly, a cooperative may be in a market where additional costs of operations leave it at a competitive disadvantage. In the case where competition is strong, then other things being equal, the enterprise with higher costs may not survive.



Secondly, a cooperative may reap compensatory benefits which outweigh any extra costs of pursuing non-financial objectives. For example, customers may be attracted to a store which practises democratic control and elevates the trust between buyer and seller. As mentioned earlier, cooperative practices may actually improve economic efficiency.

Thirdly, a cooperative may plan to fund any financial losses from trading by the on-going use of external sources of funds. Because they meet social objectives, some cooperatives can rely on non-sales sources of income as a means of sustaining their financial viability. For example, a community food co-op may be in receipt of on-going financial assistance by way of a grant, rent subsidy or supervisory assistance from the local government or separately funded community centre.

When considered from this perspective, it would be inappropriate to automatically deny the viability of such a co-op on the basis that its revenue was not covering its costs. The proper approach is to assess whether the co-op could reasonably expect to maintain its access to the external assistance and more particularly, whether such assistance was a measure of the additional economic benefit afforded by the co-op over and above the monetary value of sales revenue. When external assistance is by way of a government grant, a central consideration for the government is, of course, the basis on which such cooperatives are funded.

### 7.3.3 Financial and economic viability

Although often used synonymously, the terms financial and economic viability are different. Financial viability is an accounting concept which relates to the actual monetary valuations on the income and expenses of operating a business. Economic viability is a broader concept, based on the economists' notion of the opportunity costs of resources used up by the business firm and the benefits to society of the goods or services produced.

The opportunity cost of a resource used in a business is the market value of the best alternative use of that resource. The economic benefit is the society's valuation of the product; in other words, the amount it is prepared to pay for it.

In some cases the recorded monetary outlays (costs) and receipts (benefits) may not reflect opportunity costs and economic benefits and thus the two approaches can give a different view of viability. For instance, a cooperative using rent free premises would record no rent expense in its profit and loss accounts. The economic approach would recognise that such premises have a positive opportunity cost (value in an alternative use) and it thus represents an economic cost to the business.

Importantly, and especially in community cooperatives, the (economic) benefits exceed the monetary value of the sales and membership by the amount of extra social benefit which they may generate. In these cases the divergence between economic and financial valuations presents a measurement problem because the value to society of non-financial objectives is difficult to assess quantitatively.

On another level, it should be recognised that some food cooperatives, particularly those which choose to remain small, require an extra level of commitment of participants. This can involve considerable non-financial costs in terms of both the time and psychological energy. Clearly, viability for these groups depends on sustaining the level of human resource input.

Despite these qualifications it will be appropriate in many cases to use the notions of financial and economic costs interchangeably. In these cases, the recorded monetary values on revenue, rent, wages, transport and overhead costs will suffice as the economic cost.

#### 7.3.4 Viability and method of assessment

The essential condition of food cooperative viability is the successful harnessing of human and non-human resources for the supply of food products in a way compatible with its other goals and according to its co-operative principles. Toward this end, the achievement of financial and non-financial goals jointly determines the viability status.

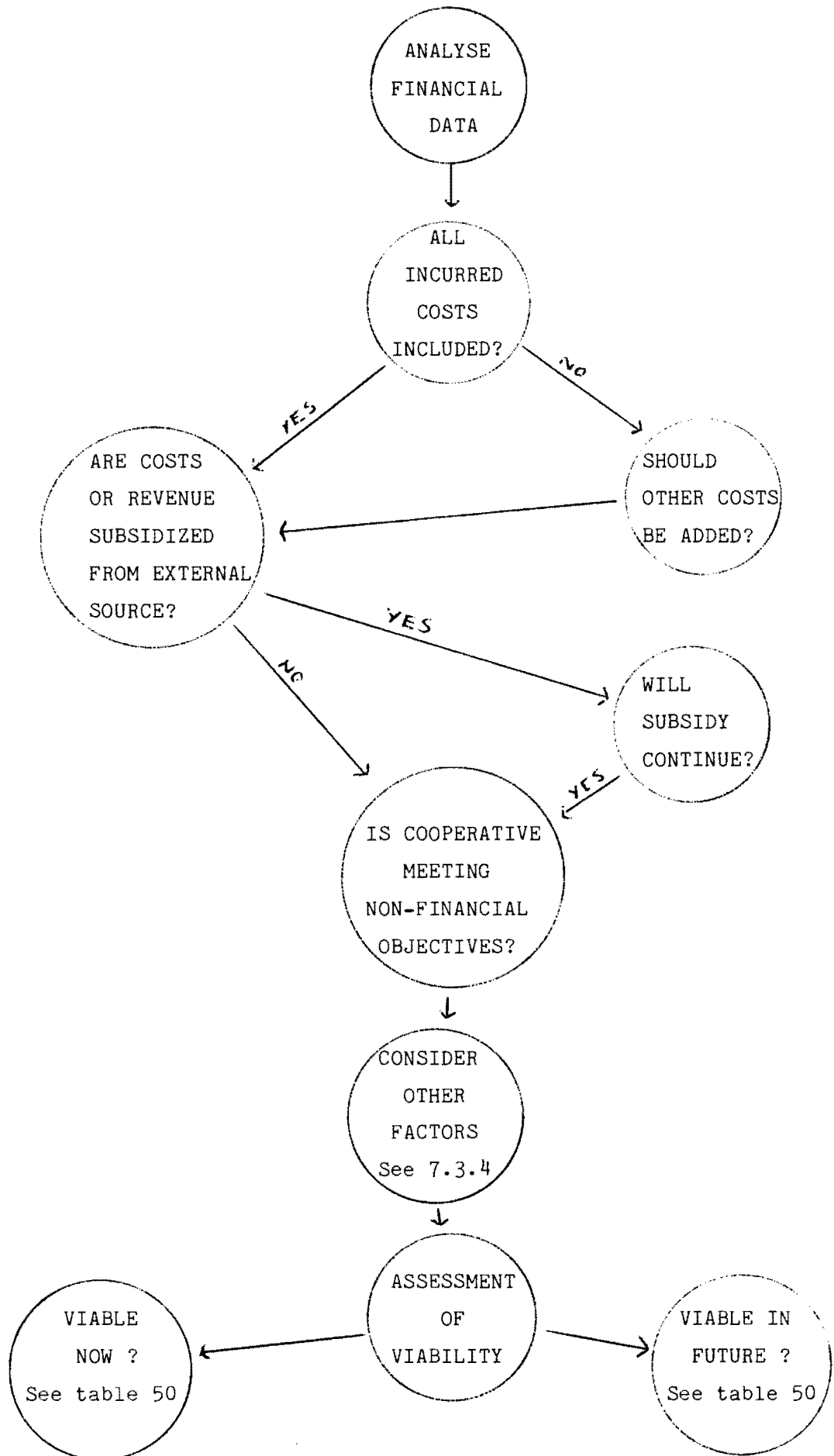
Viability is typically a long-run concept and thus cannot be unambiguously established when cooperatives are still in their infancy. Invariably, a food cooperative will not be meeting one or another of its objectives during this period, so a close examination of potential for advancement is necessary.

In examining potential, the study group paid particular attention to the following areas:

- (i) Principles and practices:
  - \* the level of commitment and reliability of those in 'management' positions
  - \* awareness of cooperative principles
  - \* existence of successful problem identification and solution technique
- (ii) Financial:
  - \* adequacy of financial records
  - \* awareness of financial position
  - \* adequacy of financial skill
- (iii) Marketing:
  - \* market potential
- (iv) Other:
  - \* ability to purchase food at competitive prices

The assessment of each cooperative has been made according to the procedure illustrated in the schema shown in Figure 4.

Figure 4: Schema of Assessment Procedure



#### 7.4 DATA COLLECTION

The basic information was provided in response to questions about sales revenue, operating costs, equipment costs, sources of finance. Many groups supplied limited data. Either it was not recorded, not readily accessible or not available in the format requested. The questionnaire has been supplemented substantially with follow-up questions. In some cases a qualitative assessment of the business based on estimations of the reported data has been made.

In the main categories of rent, wages, transport, utilities and other, the following minimal information was insisted upon:

- (i) whether the co-op incurs costs in these (above) categories;
- (ii) whether the co-op pays costs of these (above) categories;
- (iii) and if not, then who pays costs of these eg. a community based group may have wages paid by a grant for a coordinator.

The groups were also asked to indicate if they were covering their costs.

The time periods for which the information has been collected varies considerably, from 12 months to as short as one week, in the case of recently established cooperatives. For aggregative and comparative purposes these have all been converted to annual dollar equivalents in the tables.

The assessment of profitability status in Table 48 applies to the current state of the operation. Costs are included if they are actually paid by the cooperative.

Surplus: If sales revenue and membership (generally combined with sales) are currently in excess of relevant operating expenses (wages, rent, transport, utilities, other). No allowance is generally made for provision for depreciation for the smaller co-ops which have minimal capital expenditure.

Breakeven: If the sales revenue and membership is approximately equal to operating costs.

Loss: If the costs exceed sales revenue and membership.

Table 47: Groups, types of food, sales revenue, location

	WHOLEFOODS				PROCESSED				FRUIT & VEGETABLES				COMBINATIONS				TOTALS		
	M	C	tot.	total	M	C	tot.	total	M	C	tot.	total	M	C	tot.	total	M	C	tot.
			No.	\$			No.	\$			No.	\$			No.	\$			No.
COOPERATIVE ACCESS	3	1	4	18,173													3	1	4
																	\$		18,173
BUYING GROUPS	4	4	8	24,931					1	0	1	5,000					6	3	9
																	\$		29,931
COMMUNITY CO-OPS	2	1	3	11,575	9	0	9	40,453	1	0	1	5,400	4	0	4	62,000	16	1	17
													(2)				\$		119,428
TERTIARY	5	0	5	443,518									0	1	1	76,437	5	1	6
	(1)																\$		519,955
SMALL TRADING CO-OPS	1	0	1	166,975					1	0	1	104,000	0	1	1	164,310	2	1	3
																	\$		435,285
TRADITIONAL TRADING CO-OPS													0	5	5	6,701,114	0	5	5
																	\$		6,701,114
TOTAL (No.)	15	6	21		9	0	9		3	0	3		4	7	11		31	13	44
	(1)																		(3)
TOTAL (\$) M				\$ 643,411				\$ 40,453				\$ 114,400				\$ 62,000			\$ 860,264
TOTAL (\$) C				\$ 21,761				0				0				\$6,941,861			\$6,963,622
TOTAL (\$) TOTAL				\$ 665,172				\$ 40,453				\$ 114,400				\$7,003,861			\$7,823,886

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Notes on Table 47

- (1) Includes 1 nil response
- (2) Includes 2 nil responses
- (3) Includes 3 nil responses

M = Metropolitan

C = Country

No. = Number of groups

\$ = Revenue from sales per annum

Table 48: Cooperatives' profitability

CLASSIFICATION	SURPLUS	BREAKEVEN	LOSS	RECENTLY	UNANSWERED	TOTALS
<u>Paying all Costs</u>						
Collective Access		4				4
Buying Groups		9				9
Community Groups						
Tertiary		2				2
Small Trading Co-ops	1		2			3
Traditional Trading Co-ops	2	2			1	5
Subtotal	3	17	2		1	23 52%
<u>Not paying own costs</u>						
Collective Access						
Buying Groups						
Community Groups	3	8	2	2	2	17
Tertiary	1		2		1	4
Small Trading Groups						
Traditional Trading Co-ops						
Subtotal	4	8	4	2	3	21 48%
TOTAL	7	25	6	2	4	44



## 7.5 VIABILITY ANALYSIS

There are two points to this section. Firstly, a presentation of the current financial status; then the assessment of future prospects and viability made according to the procedure outlined in section 7.4.

### 7.5.1 Current financial position

The summary of sales revenue and financial status by category of food cooperative appears in Tables 47 and 48. The categories are discussed in turn.

Each cooperative has been initially classified into those which are paying all costs and those that are not. The relevant costs here are the major categories - rent, wages, transportation. Voluntary labour which supplements the main paid staff is not considered as an unpaid cost for the purposes of the classification, which is shown in Table 48.

Few groups are currently running at a surplus, except some traditional trading co-ops and a small number of community groups which do not pay many costs. The vast majority of cooperatives, whether cost paying or not, operate at or near break-even, consistent with their non-profit objectives.

#### (i) Traditional Trading Cooperatives (5)

Of the estimated annual sales value of \$7.8 million for all cooperatives in the study, some \$6.7 million is accounted for by the traditional trading cooperatives. With one exception, these cooperatives have been operating for several years on an established basis. Importantly, these large groups are either a major or the only food retailer in a large country town. They supply a wide range of food types, such as would be found in a conventional supermarket. Indeed they resemble supermarkets in many ways. Traditional trading cooperatives meet all their operating costs from revenue and either break even or make a surplus. With their large scale of operation, they purchase supplies at competitive prices.

(ii) Small Trading Cooperatives (3)

With annual sales in the \$100,000 - \$200,000 range, cooperatives in this group represent the second tier in terms of scale of operation. They all target a specific market with specialist food and/or minimal packaging. As such, they only compete indirectly with other non-cooperative food outlets. One of them is currently operating at a surplus which in part is facilitated by some voluntary labour. The other cooperatives in this group are expanding sales and, although running at a loss are meeting a significant portion of their costs, which include a paid labour component.

(iii) Tertiary Cooperatives (6)

The sales revenue of this groups ranges from \$12,000 - \$230,000 for each cooperative. Operating mostly in the metropolitan campuses, they supply wholefoods to a specific market. Invariably, their financial resources are linked to the respective Student Union which generally underwrites any loss from the operation. These subsidies are not large however, and whilst some volunteer labour is used, most costs are met from revenue.

(iv) Community Groups (17)

This group is the largest in number but with average sales of less than \$10,000 per annum covering all food types. Most of the co-ops sell only processed or a combination of foods and attempt to compete on prices with supermarkets. Because of their small scale, the only way that this is possible is through lower operating costs. This is achieved by financial grants, and direct assistance with the major expenses such as wages and rent.

To some extent the community cooperatives are patronised especially by particular socio-economic groups although they are also open to the general public. Clearly, these groups would need substantial increases in sales volume if they were required to meet the bulk of their operating costs.

(v) Buying Groups and Collective Access Groups (total 13)

These cooperatives are very small, and sometimes consist of only a few households. With minimal overheads and using personal facilities they always achieve their breakeven objective.

7.5.2 Future prospects and viability

As a preface to the final assessment, the cooperatives have been classified in table 49 according to their adherence to the principles of cooperation laid down by the International Cooperative Alliance. Almost all groups meet the rather broadly defined criteria of Open Membership and Democratic Control. A much lower proportion carry through the principles of Cooperative Education and Cooperation between cooperatives. This reflects a lack of awareness, skills, energy, time, pressures of short-term survival and the infant status of food cooperatives in Australia. This clearly represents an area for policy initiatives designed to foster the collective energies of the movement.

Table 49: Cooperative principles

Classification	Open Membership	Democratic Control	Limited Interest	Equitable Distribution	Cooperative Education	Cooperation between Cooperatives	Total
	Y N N.A. T	Y N N.A. T	Y N N.A. T	Y N N.A. T	Y N N.A. T	Y N N.A. T	Y N N.A. T
Collective Access Groups	4 - - 4	4 - - 4	- - 4 4	1 3 - 4	2 2 - 4	3 - 1 4	14 5 5 24
Buying Groups	9 - - 9	9 - - 9	- - 9 9	- 1 8 9	3 6 - 9	4 5 - 9	25 12 17 54
Community Groups	16 - 1 17	17 - - 17	- - 17 17	14 - 3 17	16 1 - 17	15 2 - 17	78 3 21 102
Tertiary Co-ops	4 - 2 6	6 - - 6	- - 6 6	6 - - 6	3 3 - 6	4 2 - 6	23 5 8 36
Small Trad- ing co-ops	3 - - 3	3 - - 3	1 - 2 3	1 - 2 3	3 - - 3	3 - - 3	14 - 4 18
Traditional Trading co-ops	5 - - 5	5 - - 5	5 - - 5	5 - - 5	3 2 - 5	4 1 - 5	27 3 - 30
Total	41 - - 3 44	44 - - - 44	6 - 38 44	27 4 13 44	30 14 - 44	33 10 1 44	181 28 55 264

Notes: Y = Yes: Cooperative operating in accord with principles, even if not formally stated in objectives  
 N = No  
 N.A. = Not available or not applicable  
 T = Total

Finally, the assessment of viability is presented in table 50. This assessment is made in accordance with the discussion on the interdependence of financial and non-financial objectives and the method of assessment outlined in section 7.3 above.

Practically all the surveyed groups are achieving a significant portion of their stated objectives and are operating reasonably in accordance with cooperative principles. This does not mean there is no room for substantial progress by extending horizons beyond the needs of short-term survival. This matter is considered at a later stage of the report.

The existing collective access and buying groups are already independently viable entities because they are not dependent on achieving a large scale of operation. With food costs being their only major expense item, they would benefit considerably from improved access to bulk food items in the distribution chain.

The traditional trading cooperatives are also independently viable, but for different reasons. They have exploited scale economies by capturing a large market in certain country towns. In the highly competitive and cost efficient metropolitan grocery business this type of cooperative would need to target special groups, such as the low-income inner suburban market, to become viable.

Although not generally paying all costs, the tertiary cooperatives can expect to receive the small amounts of ongoing support from the students and their unions in order to remain viable. Their market remains relatively secure from direct competitive pressures.

The community cooperatives are in the most tenuous situation, generally relying on the financial support of subsidized premises, supervisory assistance and direct grants. With extensive human resources and commitment, many of these are or will become viable through a combination of sales growth, use of volunteer labour and ongoing financial support. Notwithstanding this, there is a great need for comprehensive policies towards these cooperatives.

Finally, there are three small trading cooperatives which aim to operate on a full cost paying basis. These are all assessed as viable or with the potential to be so. Any competition in the future is likely to come from within the cooperative movement rather than the conventional food retailers.

Casual evidence suggests, however, that potential exists for more cooperatives of this size selling largely unprocessed and minimally packaged wholefoods and fruit and vegetables.

Table 50: Viability

	Number	Number meeting (1) objectives	Operating as a (2) co-op	Viable Now (3)				Viable In Future (4)			
				Yes	Doubt-ful	No	Total	Yes	Doubt-ful	No	Total
Collective Access	4	4	4	4			4				
Buying Group	9	9	9	9			9				
Community co-op	0	0	0								
Tertiary	2	2	1	2			2				
Small Trading	2	2	2	2			2				
Traditional Trading	5	5	4	5			5				
TOTAL PAYING ALL COSTS	22	22	20	22			22				
Collective Access	0	0	0								
Buying Group	0	0	0								
Community co-ops	17	15	17	7	1	3	11	1	5		6
Tertiary	4	3	4	4			4				
Small Trading	1	1	1								1
Traditional Trading	0	0	0								
TOTAL NOT PAYING ALL COSTS	22	19	22	11	1	3	15	2	5		7
TOTAL	44	41	42	33	1	3	37	2	5		7

Notes on Table 50:

- (1) The number of groups assessed as meeting a significant portion of their objectives.
- (2) The number of groups assessed as operating in accordance with cooperative principles.
- (3) The number of groups assessed as either currently viable, doubtful or not viable, ie. not now or in the future. This category does not include groups assessed for future viability.
- (4) The number of groups assessed as having some prospect of future viability but not presently considered viable.



## 8. RECOMMENDATIONS

### 8.1 DISCUSSION

8.1.1 Resource/Information centre

8.1.2 Current funding of food cooperatives

### 8.2 THE RECOMMENDATIONS

## 8. RECOMMENDATIONS

### 8.1 DISCUSSION

#### 8.1.1 Resource/Information centre

The Needs section (6) of the report indicates that 80% of the food cooperatives support the development of an information centre for food cooperatives. During the seminar for food cooperatives on July 18th, 1984, this was endorsed.

The seminar was attended by 18 of the cooperatives in this study, plus 3 groups in the process of establishing food cooperatives. All six classifications of cooperatives, as defined in this report, were represented.

Food cooperatives state that in the interests of their own viability and for the development of a wider food cooperative movement, it is imperative that they have access to resources.

The seminar discussed the functions of a resource /information centre for food cooperatives. These functions are outlined below. They reflect the multiple needs of the co-ops. Cooperatives indicated that the centre would need to operate in a two-fold capacity in dealing with these functions. It would need to specifically address some of the areas itself, whilst for others it would serve as a referral base.

The functions of the resource centre are both practical and research based.

- \* a contact centre and communication base for food co-ops;
- \* practical assistance, including bookkeeping, organising and planning a food co-op, ways to structure meetings, evaluation techniques;
- \* newsletter
- \* information kits
- \* assistance in meeting necessary regulations, health department criteria;
- \* researching the development of appropriate collective purchasing and distribution options;
- \* assistance with objectives, guidelines and co-op principles;
- \* aid in submission writing;

- \* policy formulation for government funding of food co-ops;
- \* funding strategies for food co-ops;
- \* community education;
- \* research and formulation of strategies to meet objectives of participation;
- \* professional advice - accounting, insurances, legal;
- \* research and advice on legislation, including registration;
- \* research into the relationships between worker and consumer democracy, in the context of food cooperatives;
- \* research into trade unions and food cooperatives;
- \* research into the structures of food co-ops.

A submission will be forthcoming. It will address the specific objectives and priorities of the resource centre, as well as the staffing and facilities required to meet these objectives.

#### 8.1.2 Current funding of food cooperatives

Given that this study has not had the resources nor the consultation process to be able to adequately address policy on the future funding options for food cooperatives, it is recommended that food cooperatives are funded under existing government funding schemes.

These policy issues are complex and are linked with the cooperative movement as a whole. A function of the proposed resource centre is to address policy options for government funding of food cooperatives. Until these options can be addressed individual food cooperatives should have access to current government funding schemes.

It is recommended that the current ban on all funding of food cooperatives be lifted until future policy issues are resolved.

#### 8.2 THE RECOMMENDATIONS

8.2.1 That the Ministry of Employment and Training immediately fund a resource centre for food cooperatives.

8.2.2 That the Ministry of Employment and Training resume funding of food co-operatives under existing schemes.

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## APPENDIX 1

### QUESTIONNAIRE

The information obtained in this questionnaire will be confidential to the study group. Information given will not be identified as belonging to your group. It will be incorporated only in a general statement about the viability of food cooperatives. The financial information is necessary for considering the range of options for the future support of food cooperatives.

#### A. GENERAL

1. Name of group.
2. When was your group started ?
3. How many hours is the cooperative open per week ?

#### B. OBJECTIVES/AIMS

1. What are the objectives/aims of the cooperative ?

#### C. MEMBERSHIP

1. How many members does the cooperative have ?
2. What is the membership fee ?
3. Who is eligible for membership ? eg. resident of the area.
4. How do members participate in the cooperative ?
5. Do you have different prices of goods for your members, workers, volunteers ? Please detail these differences.

D. VOLUNTEERS

1. How many volunteers does the cooperative have ? .....  
Number of males ..... Number of females .....
2. What is the total number of hours worked per week by your volunteers ?
3. If you have volunteers, are they reimbursed in any way and if so, how ?

E. PAID WORKERS

1. Does your cooperative have paid employees ? How many ?
  - a) Yes. Number of males ..... Number of females .....
  - b) No.
2. What is the total number of paid hours worked in your cooperative per week ?
3. How many people are paid
  - a) By an award .....
  - b) By negotiation .....
4. What is your total wage bill per week ? (Before tax) .....
5. How many employees are union members ?

F. LEGAL STATUS

1. Do you have any legal status ? eg. registration, association, auspice body. Please explain.
2. Would you register with the Registrar of Cooperatives ? Please give reasons.

#### G. COOPERATIVE STRUCTURE - DECISION MAKING

1. Who makes decisions in the cooperative about
  - a) Day to day activities ?
  - b) Policy ?
2. Has the cooperative sought advice from any of the following ?

The list included 'other cooperatives', 'legal services', 'local council', 'registrar of cooperatives', 'accountants', 'government agencies', and 'other' (to be specified).

#### H. CONTACT WITH OTHER COOPERATIVES

1. In what ways has the cooperative assisted or gained assistance from other food cooperatives ?

Co-ops were given a list of areas: information sharing, skill sharing, equipment sharing, sharing of ideas, purchasing, transport, financial, decision making, other. They were asked to specify whether the contact occurred 'often', 'sometimes', 'seldom', or 'never'.

#### I. PURCHASE AND SUPPLY OF GOODS TO COOPERATIVE

1. When buying goods does the cooperative utilize any or all of the following suppliers ?

Suggested suppliers were 'producer', 'market', 'importer', 'manufacturer', 'wholesaler', 'other cooperatives', 'healthfood stores', 'supermarket', 'other' (to be specified). Co-ops were asked whether each type of supplier was used 'often', 'sometimes', 'seldom', 'never',
2. Identify the categories of goods which the cooperative stocks.

The categories were 'dried goods', 'fruit and vegetables', 'processed food', 'meat', 'beverages', 'other' (to be specified).
3. What arrangements does the cooperative have with main suppliers for payment of goods purchased ?

Suggested arrangements were 'cash/cheque at time of purchase', 'on receipt of an account', 'by regular monthly statement', 'other' (to be specified).

4. Please outline why you purchase from your main suppliers.  
Reasons suggested were: cheapest supplier accessible to us, supplier is prepared to deal with the group, supplier delivers, supplier sells appropriate quantities, willingness to supply on credit, willingness to give bulk discounts, loyalty to supplier, other (to be specified).
5. Do you have any problems with your current supply system ?  
Possible responses were either 'no', or 'transport', 'food prices not very cheap', 'insistence on cash with purchase', 'specialist items not available in required quantities', 'refusal to supply', 'other' (to be specified).

#### J. FINANCES

Definitions of the terms used in the financial section were given.

1. What type of financial records does your cooperative keep ?  
Possible records were: cheque book balance, cash book, profit/loss statements, cash flow statements, balance sheet, journals, wage records, petty cash statement, other (to be specified).
2. How do you price your goods ?
  - a) At cost of acquisition only
  - b) At cost of acquisition with markup. Please state average .....
  - c) Other methods. Please specify eg. wholesale price to other co-ops.
3. Please detail trading figures for the cooperative over the last three years. Co-ops were asked for revenue, cost of goods, operating costs, profit/loss. They could use their usual financial years.
4. For groups that have been trading for less than one year. Please estimate trading figures from last month's trading figures.
5. Please detail your balance sheet or estimate your assets and liabilities.
6. Please list the additional sources of finance for the cooperative other than sales. Other sources of finance included 'loans', 'donations', 'membership fees', 'shares', 'government funds', 'credit union', 'banks', 'other grants', 'other' eg. subsidized rent. This question asked for the last three years' figures, using usual financial years.



K. NEEDS - Help us to understand your needs

1. Does your cooperative require access to finance ?

2. What is your preferred source of finance ?

Suggestions were as follows: government grant/loan, banks, credit cooperative, a central cooperative bank (were this established), own membership finance and trading surplus, other (to be specified).

3. Does your cooperative have any problems or difficulties with any of the following: financial management, accounting, transport, management skills, registering the cooperative, cooperative principles and practices, organisation and planning, supply/purchasing, policy formulation, decision making, meeting procedure, publicity/promotion, volunteers, selection of staff, dealing with conflicts eg. personality, insurances, premises, delivery, other (to be specified). Co-ops were asked how problematic the area was: 'serious', 'moderate', 'not at all'.

4. A number of proposals have been made to assist the Food Cooperative movement. Would you support developments in these areas ?

Suggested options were: a cooperative wholesale warehouse, a cooperative bank, an information centre for cooperatives, a packaging system for cooperatives, information kits for cooperatives, workshops on food cooperatives.

5. Have you any other suggestions which may assist the development of Food Cooperatives ?

L. OVERVIEW

1. Who was involved in filling in this questionnaire ?

2. In the questionnaire we have tried to cover all the important areas, but would like any further comments you have.

## APPENDIX 2

### COOPERATIVE PRINCIPLES

1966 Congress of the International Cooperative Alliance

#### 1. OPEN MEMBERSHIP

Membership of a cooperative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

#### 2. DEMOCRATIC CONTROL

Cooperative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

#### 3. LIMITED INTEREST ON SHARE CAPITAL

Share capital should only receive a strictly limited rate of interest.

#### 4. EQUITABLE DISTRIBUTION OF SURPLUS

The economic results arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decision of the members as follows: a) by provision for development of the business of the cooperative; b) by provision of common services; or, c) by distribution among the members in proportion to their transactions with the society.

5. COOPERATIVE EDUCATION

All cooperative societies should make provision for the education of their members, officers, and employers and of the general public, in the principles and techniques of cooperation, both economic and democratic.

6. COOPERATION BETWEEN COOPERATIVES

All cooperative organisations, in order to best serve the interest of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national, and international levels.